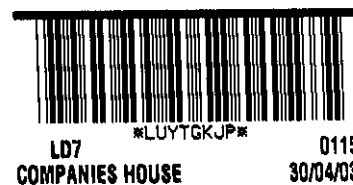


SONY MUSIC INTERNATIONAL LIMITED

ANNUAL REPORT

YEAR ENDED 31 MARCH 2002

Registered Number: 2019657



SONY MUSIC INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 March 2002.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is to provide high level consultancy services and advice in the areas of management, marketing, production, export, copyright, financing and other commercial and industrial areas to the subsidiaries of Sony Music Entertainment Inc. operating within the music industry in Europe and Africa.

RESULTS

The results for the year are dealt with in the company's profit and loss account. The loss after taxation for the year was £409,000 (2001: £1,762,000).

The directors do not recommend the payment of a dividend (2001: nil).

DIRECTORS

The directors who served during the year are as shown below:

R Denekamp	
R Bowlin	(resigned 11 April 2003)
P Burger	(appointed 16 January 2002)
P Russell	(resigned 16 July 2001)
R Burke	(resigned 1 November 2001)
J Campet	(appointed 8 April 2003)
L Weiss	(appointed 11 April 2003)

A George acted as company secretary throughout the year.

In accordance with articles 112, 113 and 117 of the Company's Articles of Association, all the directors, save for the Chairman are required to retire at annual general meetings.

Notwithstanding this the company has dispensed with the requirement to hold annual general meetings as noted below.

The directors do not have any interests required to be disclosed under Schedule 7(2) of the Companies Act 1985.

SONY MUSIC INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002 (continued)

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. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and consistently applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

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 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP.

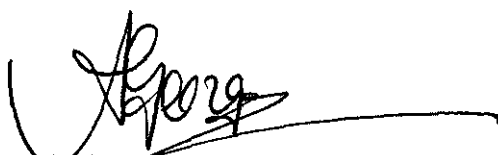
Notwithstanding this the company has, in accordance with section 386(1) of the Companies Act 1985, passed a resolution dispensing with the obligation to appoint auditors annually.

ANNUAL GENERAL MEETING

In accordance with section 252(1) of the Companies Act 1985, the company has passed a resolution electing to dispense with the obligations to lay financial statements and reports before the company in a general meeting.

In accordance with section 366A(1) of the Companies Act 1985, the company has passed a resolution electing to dispense with the obligations to hold annual general meetings.

By Order of the Board


A George
Secretary

22 April 2003

AUDITORS' REPORT TO THE SHAREHOLDERS OF SONY MUSIC INTERNATIONAL LIMITED

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans AL1 3JX
Telephone +44 (0) 1727 844155
Facsimile +44 (0) 1727 845039

We have audited the financial statements on pages 4 to 14 which comprise the profit and loss account, the balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

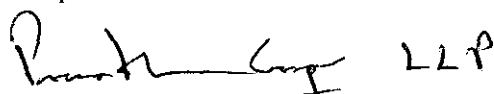
Basis of audit opinion

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 at 31 March 2002 and of its or loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

22 April 2003

SONY MUSIC INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £'000	2001 £'000
TURNOVER	2	21,303	23,919
Operating expenses	3	(21,740)	(26,508)
OPERATING (LOSS)/ PROFIT		(437)	(2,589)
Interest receivable and similar income	4	53	533
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(384)	(2,056)
Tax credit/(charge) on (loss)/profit on ordinary activities	7	(25)	294
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(409)	(1,762)
RETAINED PROFIT BROUGHT FORWARD		2,847	4,609
RETAINED PROFIT CARRIED FORWARD		2,438	2,847

The notes on pages 6 to 14 form part of these accounts.

The results for the financial year include all recognised gains and losses and are wholly attributable to the continuing operations of the company.

SONY MUSIC INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 MARCH 2002

	Notes	2002 £'000	2001 £'000	2001 £'000
FIXED ASSETS				
Tangible assets	8	2,594		2,839
CURRENT ASSETS				
Debtors	9	8,683	9,570	
CREDITORS (Amounts falling due within one year)	10	(8,800)	(9,486)	
NET CURRENT ASSETS			(117)	84
TOTAL ASSETS LESS CURRENT LIABILITIES			2,477	2,923
CREDITORS (Amounts falling due after more than one year)	11		(29)	(66)
NET ASSETS			2,448	2,857
CAPITAL AND RESERVES				
Called up share capital	13		10	10
Profit and loss account			2,438	2,847
EQUITY SHAREHOLDERS' FUNDS	16		2,448	2,857

These accounts were approved by the board on 22 April 2003.

J Campet
Director

The notes on pages 6 to 14 form part of these accounts.

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS– YEAR ENDED 31 MARCH 2002

1 ACCOUNTING POLICIES

A summary of the principal accounting policies of the company, all of which have been consistently applied throughout the year, is set out below:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	- 20%
Motor vehicles	- 25%
Office equipment	- 20%
Leasehold improvements	- term of lease

(c) Deferred taxation

Provision for deferred taxation is only made in respect of those timing differences expected to reverse in the foreseeable future.

(d) Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transactions.

Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the balance sheet date.

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2002 (CONTINUED)

(e) Turnover

Turnover represents amounts, excluding value added tax, recharged to group companies to which consultancy services and advice are provided.

(f) Pensions

Contributions to the Sony Music UK Pension Plan are assessed by a qualified actuary based on the cost of providing pensions to all participating companies. Costs are not determined for each individual company hence contributions for this plan and the Sony Entertainment UK Pension Plan, which reflect the underlying pension cost, are charged to the profit and loss account in the period in respect of which they become payable.

(g) Leases

Assets acquired under finance leases and the related liability of future rental obligations are included in the balance sheet. The interest element is charged in the profit and loss account in proportion to the reducing capital element outstanding. The assets are depreciated over the shorter of the lease terms and their useful economic lives.

Rental charges under operating leases are charged to the profit and loss account as incurred.

(h) Cash flow

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) as its ultimate parent company, Sony Corporation, has prepared consolidated financial statements which are publicly available.

(i) Related Party Transactions

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Sony Group.

2 TURNOVER

	2002 £'000	2001 £'000
Operating expenses excluding exchange differences incurred on behalf of, and recharged to, group undertakings plus mark-up	21,303	23,919

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2002 (CONTINUED)

3 OPERATING EXPENSES

Operating expenses consist of third party legal and consultancy costs together with salary costs borne by the company necessary to provide the services to the subsidiaries of Sony Music Entertainment Inc operating within the music industry in Europe and Africa, less royalty income.

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Rental income	-	438
Profit on disposal of fixed assets	15	66
Other	38	29
	53	533

5 STAFF COSTS

Employees

Particulars of employees are as shown below:

	2002 £'000	2001 £'000
Employee costs during the year amounted to:		
Wages and salaries	10,796	11,045
Social security costs	983	1,038
Pension costs (Note 17)	270	616
	12,049	12,699

The average weekly number of persons employed by the company during the year was as follows:

	2002 Number	2001 Number
Marketing and selling	21	16
Administration	94	104
	115	120

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS- YEAR ENDED 31 MARCH 2002 (CONTINUED)

Directors' remuneration

Directors' remuneration in respect of services to the company was as follows:

	2002 £'000	2001 £'000
Aggregate emoluments (excluding pension contributions)	450	1,400
Company contributions paid to money purchase pension schemes	29	118
Emoluments of highest paid director (excluding pension contributions).	291	1,400
Company contributions paid into money purchase pension schemes for highest paid director	26	118

At 31 March 2002 the highest paid director had an accrued annual pension under a defined benefit pension scheme of £258,629 (2001: £398,000).

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration - audit services	5	6
- other services	111	111
Hire of plant and machinery	2	30
Depreciation - owned	913	800
- leased	103	143
Staff costs (Note 5)	12,049	12,699
Other operating leases - property	73	538

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the taxable profit for the year and comprises:

	2002 £'000	2001 £'000
United Kingdom corporation tax at (30)% (2001 - 30%)	155	(225)
Adjustment to prior year tax charge	(130)	(69)
Double tax relief	(155)	-
Overseas taxation	155	-
	25	(294)

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS– YEAR ENDED 31 MARCH 2002 (CONTINUED)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	(384)	(2,056)
Profit on ordinary activities before tax multiplied by standard Rate of corporation tax in the UK of 30% (2001 – 30%)	(115)	(617)
Effects of:		
Expenses not deductible for tax purposes	208	223
Deferred tax not recognised	62	169
Adjustments to tax in respect of prior years	(130)	(69)
Current tax charge for the period	25	(294)

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS- YEAR ENDED 31 MARCH 2002 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Machinery & equipment £'000	Motor vehicles £'000	Office equipment £'000	Construction in progress £'000	Total £'000
Cost						
As at 1 April 2001	321	4,476	556	1,130	34	6,517
Additions	-	837	44	3	(28)	856
Disposals	(34)	-	(183)	-	(6)	(223)
Transfers	-	(5)	-	11	-	6
Transfers from other Group undertakings	-	9	5	-	-	14
As at 31 March 2002	287	5,317	422	1,144	-	7,170
Depreciation						
As at 1 April 2001	148	2,565	279	686	-	3,678
Charge for the year	29	807	105	75	-	1,016
Disposals	(13)	-	(107)	-	-	(120)
Transfer from other Group undertakings	-	-	2	-	-	2
As at 31 March 2002	164	3,372	279	761	-	4,576
Net book amount						
As at 31 March 2002	123	1,945	143	383	-	2,594
As at 31 March 2001	173	1,911	277	444	34	2,839

Included in fixed assets are assets held under finance leases with a net book value of £142,695 (2001: £262,685).

9 DEBTORS

	2002 £'000	2001 £'000
Trade debtors recharges	16	371
Prepayments and accrued income	3,856	2,651
Amounts owed by group undertakings	4,754	2,705
Other debtors	-	3,843
	8,683	9,570

SONY MUSIC INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2002
(CONTINUED)**

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Trade creditors	124	66
Amounts owed to group undertakings	3,292	3,134
Corporation tax	2,694	2,824
Obligations under finance leases (note 12)	53	40
Accruals	2,637	3,422
	8,800	9,486

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£'000	£'000
Obligations under finance leases (note 12)	29	66

12 FINANCE LEASES

	2002	2001
	£'000	£'000
Gross obligations under finance leases	86	118
Less: interest not yet incurred	(4)	(12)
	82	106
Represented by:		
Amounts payable within one year	53	40
Amounts payable between two and five years	29	66
	82	106

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2002 (CONTINUED)

13 CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised:		
10,000 Ordinary shares of £1 each	10	10
Issued, allotted and fully paid:		
10,000 Ordinary shares of £1 each	10	10

14 OPERATING LEASE COMMITMENTS

At 31 March 2002 the company had no annual commitments under non cancellable operating leases (2001: nil).

Leases are subject to rent review.

15 CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Approved by the directors but not yet contracted for	-	893

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit/(loss) for the financial year	(409)	(1,762)
Opening shareholders' funds	2,857	4,619
Closing shareholders' funds	2,448	2,857

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2002 (CONTINUED)

17 PENSIONS

The company participates in the Sony Music UK Pension Plan and the Sony Entertainment UK Pension Plan.

Sony Music UK Pension Plan

The Sony Music UK Pension Plan comprises two elements, one a defined benefit and the other a defined contribution plan.

The assets of the pension plan are held separately from the assets of any group company. The latest actuarial valuation of the plan was carried out as at 1 April 1999. Details of this valuation are included in the accounts of Sony Music Entertainment (UK) Limited.

The defined benefit scheme contributed to by the company is a group pension scheme with multiple companies contributing. The company cannot for the purposes of FRS17, "Retirement Benefits" identify its share of underlying assets and liabilities. FRS 17 disclosures of the pension scheme are made in the financial statements of Sony Entertainment Holdings Europe Limited (See note 18).

Sony Entertainment UK Pension Plan

The Sony Entertainment UK Pension Plan is a defined contribution plan.

Again, the assets of this pension plan are held separately from the assets of any group company.

The total cost of pension benefits, charged to the profit and loss account, amounted to £270,000 (2001: £616,000).

18 IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The ultimate parent undertaking is Sony Corporation (incorporated in Japan).

The parent undertaking of the smallest group for which group financial statements are prepared, and of which the company is a member, is Sony Entertainment Holdings Europe Limited, registered in England.

Copies of both of these companies' accounts can be obtained from Sony Entertainment Holdings Europe Limited, 190 The Strand, London WC2R 1JN.