

SONY MUSIC INTERNATIONAL LIMITED
ANNUAL REPORT
YEAR ENDED 31 MARCH 2003

Registered Number: 2019657



SONY MUSIC INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003

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 2003.

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 profit after taxation for the year was £1,187,000 (2002: loss of £409,000).

The directors do not recommend the payment of a dividend (2002: nil).

DIRECTORS

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

R Denekamp
R Bowlin
P Burger (ceased 16 October 2003)
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 2003 (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 2003 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

30 April 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONY MUSIC INTERNATIONAL LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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.

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 report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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. The other information comprises only the directors' report.

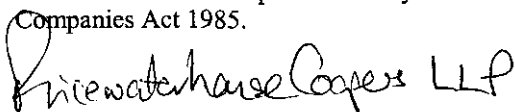
Basis of audit opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

30 April 2004

SONY MUSIC INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 £'000	2002 £'000
TURNOVER	2	25,752	21,303
Operating expenses	3	(24,383)	(21,740)
OPERATING PROFIT/(LOSS)		1,369	(437)
Interest receivable and similar income	4	112	53
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,481	(384)
Tax credit/(charge) on profit/(loss) on ordinary activities	7	(294)	(25)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		1,187	(409)
RETAINED PROFIT BROUGHT FORWARD		2,438	2,847
RETAINED PROFIT CARRIED FORWARD		3,625	2,438

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


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 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	2,065	2,594
CURRENT ASSETS			
Debtors	9	9,254	8,683
CREDITORS (Amounts falling due within one year)	10	(7,679)	(8,800)
NET CURRENT ASSETS		1,575	(117)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,640	2,477
CREDITORS (Amounts falling due after more than one year)	11	(5)	(29)
NET ASSETS		3,635	2,448
CAPITAL AND RESERVES			
Called up share capital	14	10	10
Profit and loss account		3,625	2,438
EQUITY SHAREHOLDERS' FUNDS	17	3,635	2,448

These accounts were approved by the board on 30 April 2004.



Director

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

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS- YEAR ENDED 31 MARCH 2003

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) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised on a full provision basis in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to apply less tax in the future, have occurred at the balance sheet date.

Deferred tax is measured at the average tax rate that is expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities recognised have not been discounted.

When a deferred tax asset is regarded as recoverable, it is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2003 (CONTINUED)

(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.

(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.

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2003 (CONTINUED)

(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

	2003 £'000	2002 £'000
Operating expenses excluding exchange differences incurred on behalf of, and recharged to, group undertakings plus mark-up	25,752	21,303

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

	2003 £'000	2002 £'000
Profit on disposal of fixed assets	-	15
Other	112	38
	112	53

5 STAFF COSTS

Employees

Particulars of employees are as shown below:

	2003 £'000	2002 £'000
Employee costs during the year amounted to:		
Wages and salaries	9,594	10,796
Social security costs	934	983
Pension costs (note 18)	621	270
	11,149	12,049

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS- YEAR ENDED 31 MARCH 2003 (CONTINUED)

5 STAFF COSTS (CONTINUED)

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

	2003 Number	2002 Number
Marketing and selling	24	21
Administration	89	94
	113	115

Directors' remuneration

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

	2003 £'000	2002 £'000
Emoluments (excluding pension contributions)	1,445	450
Company contributions paid into money purchase pension schemes	116	29

The above figures also represent the emoluments of the highest paid director who also had an accrued annual pension under a defined benefit scheme of £280,798 (2002 - £258,629).

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003 £'000	2002 £'000
Auditors' remuneration - audit services	6	5
- other services	78	111
Hire of plant and machinery	11	2
Depreciation - owned	993	913
- leased	85	103
Staff costs (note 5)	11,149	12,049
Other operating leases - property	61	73

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS– YEAR ENDED 31 MARCH 2003 (CONTINUED)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2003	2002
	£'000	£'000
United Kingdom corporation tax at 30% (2002 – 30%)	565	155
Adjustment to prior year tax charge	70	(130)
Double tax relief	-	(155)
Overseas taxation	-	155
Deferred taxation	(341)	-
	294	25

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

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	1,481	(384)
Profit on ordinary activities before tax multiplied by standard Rate of corporation tax in the UK of 30% (2002 – 30%)	444	(115)
Effects of:		
Expenses not deductible for tax purposes	133	208
Capital allowances in excess of depreciation	(12)	-
Deferred tax not recognised	-	62
Adjustments to tax in respect of prior years	70	(130)
Current tax charge for the period	635	25

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS- YEAR ENDED 31 MARCH 2003 (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 2002	287	5,317	422	1,144	-	7,170
Additions	-	700	20	22	-	742
Disposals	-	(261)	(165)	-	-	(426)
Transfers	-	(16)	44	-	-	28
Capital accruals	-	(119)	-	-	-	(119)
As at 31 March 2003	287	5,621	321	1,166	-	7,395
Depreciation						
As at 1 April 2002	164	3,372	279	761	-	4,576
Charge for the year	30	880	89	79	-	1,078
Disposals	-	(219)	(128)	-	-	(347)
Transfer from other Group undertakings	-	-	23	-	-	23
As at 31 March 2003	194	4,033	263	840	-	5,330
Net book amount						
As at 31 March 2003	93	1,588	58	326	-	2,065
As at 31 March 2002	123	1,945	143	383	-	2,594

Included in fixed assets are assets held under finance leases with a net book value of £58,179 (2002: £142,695).

9 DEBTORS

	2003 £'000	2002 £'000
Trade debtors recharges	46	16
Prepayments and accrued income	3,498	3,913
Amounts owed by group undertakings	5,371	4,754
Deferred tax asset (note 12)	339	-
	9,254	8,683

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2003 (CONTINUED)

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Trade creditors	82	124
Amounts owed to group undertakings	-	3,292
Corporation tax & other taxes	2,219	2,694
Obligations under finance leases (note 13)	23	53
Accruals	5,355	2,637
	<hr/> 7,679	<hr/> 8,800

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £'000	2002 £'000
Obligations under finance leases (note 13)	5	29

12 DEFERRED TAXATION

	2003 £'000	2002 £'000
Balance at 1 April	-	-
Accelerated capital allowances	339	-
Deferred tax asset at 31 March	<hr/> 339	<hr/> -

13 FINANCE LEASES

	2003 £'000	2002 £'000
Gross obligations under finance leases	27	86
Less: interest not yet incurred	1	(4)
	<hr/> 28	<hr/> 82
Represented by:		
Amounts payable within one year	23	53
Amounts payable between two and five years	5	29
	<hr/> 28	<hr/> 82

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2003 (CONTINUED)

14 CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'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

15 OPERATING LEASE COMMITMENTS

At 31 March 2003 the company had no annual commitments under non cancellable operating leases (2002: nil).

Leases are subject to rent review.

16 CAPITAL COMMITMENTS

	2003 £'000	2002 £'000
Approved by the directors but not yet contracted for	-	-

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit/(loss) for the financial year	1,187	(409)
Opening shareholders' funds	2,448	2,857
Closing shareholders' funds	3,635	2,448

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2003 (CONTINUED)

18 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 £621,000 (2002: £270,000).

19 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.