

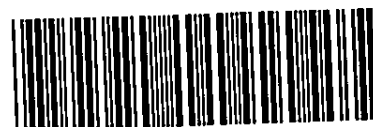
# **Sony Music Entertainment International Limited**

Directors' report and financial statements

Registered number 2019657

31 March 2011

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

### Principal activities 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 operating within the music and entertainment industry in Europe and Africa. The company made a loss during the period due to restructuring costs incurred and the investment of resources towards reorganisation and adopting new market strategies, some of which were not rechargeable.

### Business Review

#### *Results*

The company's turnover during the year ended 31 March 2011 was £16,755,199 (2010 £21,979,245) and operating loss was £3,467,459 (2010 loss £321,251)

The company made a loss before taxation of £3,613,904 (2010 £43,188,123). During the year, the company made a loss before taxation due to restructuring costs incurred of £2,897,143 (2010 £2,394,273) and a fixed asset investment impairment of £1,063,772 (2010 £43,366,352).

The company made a loss on ordinary activities for the year after taxation of £4,010,700 (2010 £43,382,203). The directors do not recommend the payment of a dividend (2010 £nil).

#### *Key risks, uncertainties, opportunities and future prospects*

The company and its subsidiaries are engaged in the music and entertainment industry which is undergoing a period of rapid change with a move away from distribution via physical media towards broader exploitation through digital and other business models. The directors believe that the company and its subsidiaries are well placed to face the challenges and to take advantage of the opportunities which exist in the markets where they operate.

### Employees

Sony Music Entertainment International Limited is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of sex, race, national origin, religion, colour, disability, sexual orientation, age or marital status.

Employees are involved in changes affecting both them and the business through company and team meetings, internal communications and opinion surveys.

Employee development and discretionary bonus schemes are in operation for all staff to develop their understanding of the business' performance and encourage further contribution to the business.

### Directors

The directors who held office during the period were

W Rowe  
R Sanders (resigned 19 September 2011)  
J Swidler  
R Story (resigned 24 September 2010)  
K Lawrie (appointed 24 September 2010)

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

### **Directors (continued)**

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

### **Company Secretary**

S Jenkins acted as company secretary throughout the year


### **Charitable donations**

Charitable donations for the period amounted to £nil (2010 £nil)

### **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

By Order of the Board on 27 March 2012



**W Rowe**  
Director

**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 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 year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- state whether applicable UK 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 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 its 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 Sony Music Entertainment International Limited**

We have audited the financial statements of Sony Music Entertainment International Limited for the year ended 31 March 2011 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **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. 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 2011 and of its loss 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.

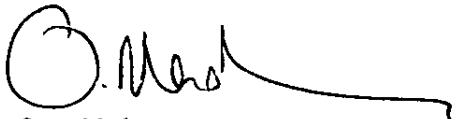
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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.



Owen Mackney  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
29 March 2012

## Profit and loss account

	<i>Note</i>	<b>Year ended 31 March 2011</b>	<b>Year ended 31 March 2010</b>
		<b>£'000</b>	<b>£ 000</b>
Turnover – continuing operations		<b>16,755</b>	<b>21,979</b>
Exceptional items - Restructuring costs	6	<b>(2,897)</b>	<b>(2,394)</b>
Other operating expenses	2	<b>(17,325)</b>	<b>(19,906)</b>
Total operating expenses		<b>(20,223)</b>	<b>(22,300)</b>
Operating loss – continuing operations		<b>(3,467)</b>	<b>(321)</b>
Amounts written off – fixed asset investments impairments		<b>(1,064)</b>	<b>(43,366)</b>
Interest receivable and similar income	7	<b>4,900</b>	<b>3 599</b>
Interest payable and similar charges	8	<b>(3,983)</b>	<b>(3,100)</b>
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(3,614)</b>	<b>(43 188)</b>
Tax credit / (charge) on loss on ordinary activities	9	<b>(397)</b>	<b>(194)</b>
<b>Loss on ordinary activities after taxation</b>		<b>(4,011)</b>	<b>(43,382)</b>

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 result on a historical cost basis

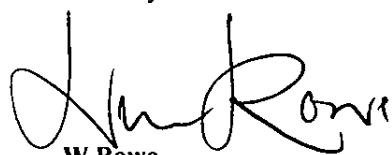
A statement of total recognised gains and losses has not been presented as there are no gains or losses other than those dealt with in the profit and loss account

The notes on pages 7 to 17 form part of these financial statements

## Balance sheet

		Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>Fixed assets</b>			
Tangible assets	10	414	326
Investments	11	303,776	276,599
		<u>304,190</u>	<u>276,925</u>
<b>Current assets</b>			
Debtors	12	28,874	24,656
<b>Creditors: amounts falling due within one year</b>	13	(30,910)	(19,350)
<b>Net current (liabilities) / assets</b>		<u>(2,036)</u>	<u>5,306</u>
<b>Total assets less current liabilities</b>		<u>302,154</u>	<u>282,231</u>
<b>Creditors: amounts falling due after more than one year</b>		<u>(19,429)</u>	<u>(19,429)</u>
<b>Net assets</b>		<u>282,725</u>	<u>262,802</u>
 <b>Capital and reserves</b>			
Called up share capital	15	46,071	46,071
Share premium	16	192,757	168,823
Merger reserve	16	86,648	86,648
Profit and loss account	16	(42,751)	(38,740)
<b>Shareholders' funds</b>	17	<u>282,725</u>	<u>262,802</u>

These financial statements were approved by the Board of directors on 27 March 2012 and were signed on its behalf by

  
W Rowe  
Director

The notes on pages 7 to 17 form part of these financial statements  
Registration Number 2019657



## 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 to the 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 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

The financial statements contain information about Sony Music Entertainment International Limited as an individual company and do not contain consolidated financial information as the parent of a group. The results of the company and its subsidiaries are included in the consolidated accounts of Sony Corporation, a company incorporated in Japan. The directors consider the accounts of Sony Corporation, prepared under US Generally Accepted Accounting Practices, to be equivalent to the requirements of the 7th EU Directive in all material respects and have therefore taken advantage of Companies Act 2006, section 401 as revised, and not prepared consolidated accounts

The nature of the business is primarily investment in Sony Music Entertainment subsidiaries across Europe. The Directors are satisfied these investments will provide sufficient income in the future and therefore have prepared the financial statements on a going concern basis, despite the company having net current liabilities in the current year

#### *Investments*

Investments are stated at cost less provision for any impairment

Where these investments are impaired the impairment charge is recognised in the profit and loss account. A transfer between the merger reserve and the profit and loss account reserve is made to reflect the impairment of the fair value of these investments in excess of the nominal value of the shares issued. The brought forward cost of the investments has been restated in current year in respect of the Valicon Investment which had been fully provided against in prior year and had been reclassified to other debtors

#### *Impairment reviews*

Impairment reviews are undertaken on fixed assets when there are indicators that their carrying amounts may not be recoverable

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation

No depreciation is provided on assets in the course of construction. Depreciation commences once the asset has been completed

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

Leasehold improvements	-	shorter of useful life / term of lease
Computer equipment	-	33.3%
Office equipment	-	20%
Furniture and Fixtures & Fittings	-	14.3%

## Notes to the financial statements (continued)

### **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 Financial Reporting Standard No 19 Deferred Tax

Sony Music 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.

### **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.

### **Turnover**

Turnover represents amounts, excluding value added tax, recharged to group companies to which consultancy services and advice are provided. All turnover is generated within the UK.

### **Pensions**

The company participates in the Sony Music Entertainment UK Pension Plan, a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reliable basis so accounts for the scheme on a defined contribution basis. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

## **2 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 Sony Music Entertainment operating companies within the music industry in Europe and Africa.

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<i>Loss on ordinary activities before taxation is stated after charging / (crediting):</i>		
Auditor's remuneration		
Audit services	16	17
Depreciation of owned fixed assets	61	23
Staff costs (see note 5)	9,726	9,682
Impairment of investments	1,064	43,366
	<hr/>	<hr/>

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

### 4 Remuneration of directors

The directors received emoluments from the company for their services. Their total emoluments charged in the accounts of the company were as follows:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Aggregate emoluments	802	502
Pension scheme contributions	17	30
	<u>819</u>	<u>532</u>

The total emoluments, including pension contributions of £nil (2010: £17,250), of the highest paid director were £478,000 (2010: £345,683).

### 5 Staff numbers and costs

The number of persons employed by the company (including directors), analysed by category, was as follows:

	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Administration	<u>81</u>	<u>113</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Wages and salaries	8,593	8,280
Social security costs	947	948
Pension costs (note 18)	186	454
	<u>9,726</u>	<u>9,682</u>

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

### 6 Restructuring costs

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<i>Restructuring costs*</i>		
Restructuring	2,897	2,394

Restructuring costs relate to a number of restructuring programmes initiated to develop and adapt the consultancy services provided by the company to the rapidly changing business environment of the music and entertainment industry

### 7 Interest receivable and similar income

	Year ended 31 March 2010 £'000	Year ended 31 March 2010 £'000
Other loans	4,900	3,599

Intercompany balances carried a rate of interest of 2.24% in the year (2010 1.86%)

### 8 Interest payable and similar charges

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Other loans	3,983	3,100

Intercompany balances carried a rate of interest of 2.24% in the year (2010 1.86%)

## Notes to the financial statements (continued)

### 9 Tax on loss on ordinary activities

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>UK corporation tax</b>		
UK corporation tax	(154)	(303)
Adjustments in respect of previous years	(265)	85
	<hr/>	<hr/>
Total current tax charge	(419)	(218)
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(109)	24
Adjustment in respect of prior years	131	-
	<hr/>	<hr/>
Total deferred tax	22	24
	<hr/>	<hr/>
<b>Tax charge on loss on ordinary activities</b>	<b>(397)</b>	<b>(194)</b>
	<hr/>	<hr/>

The tax assessed for the year is higher (2010 higher) than the standard rate of corporation tax in the UK

The differences are explained below

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>Loss on ordinary activities before tax</b>	<b>(3,613)</b>	<b>(43,188)</b>
	<hr/>	<hr/>
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	1,012	12,093
	<hr/>	<hr/>
<b>Effects of</b>		
Expenses not deductible for tax purposes	(1,243)	(12,372)
Depreciation in excess of capital allowances	59	(24)
Short term timing differences	18	-
Adjustments in respect of prior years	(265)	85
	<hr/>	<hr/>
<b>Current tax charge for year</b>	<b>(419)</b>	<b>(218)</b>
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### Tax on loss on ordinary activities (continued)

#### Factors which may affect future tax charges

On 29 March 2011 a resolution passed by Parliament reduced the main corporation tax rate from 28% to 26% effective from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is included in the Finance Act 2011. The March 2012 Budget Statement announced the intention to reduce the main rate of corporation tax to 22% by 1 April 2014. None of the rate reductions from 26% to 22% had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of these changes from 26% to 22%, if applied to the deferred tax balance as at 31 March 2011, would reduce the deferred tax asset by £64,000 (being £32,000 recognised in 2012, £16,000 recognised in 2013 and £16,000 recognised in 2014).

### 10 Tangible assets

	Leasehold improvements £000	Machinery and equipment £000	Office equipment £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 April 2010	106	182	67	275	630
Additions	-	150	-	-	150
Disposals	(106)	(21)	(1)	-	(128)
Transfers	-	275	-	(275)	-
<b>At 31 March 2011</b>	<b>-</b>	<b>586</b>	<b>66</b>	<b>-</b>	<b>652</b>
<b>Depreciation</b>					
At 1 April 2010	103	179	22	-	304
Charged in the year	3	49	10	-	62
Disposals	(106)	(21)	(1)	-	(128)
<b>At 31 March 2011</b>	<b>-</b>	<b>207</b>	<b>31</b>	<b>-</b>	<b>238</b>
<b>Net book value</b>					
<b>At 31 March 2011</b>	<b>-</b>	<b>379</b>	<b>35</b>	<b>-</b>	<b>414</b>
At 31 March 2010	3	3	45	275	326

## Notes to the financial statements (continued)

### 11 Investments

	Market investments £000	Associate undertakings £000	Subsidiary undertakings £000	Total £000
<i>Cost</i>				
At 1 April 2010	2	1 104	396,154	397 260
Additions	4,250	-	23,934	28,184
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	<b>4,252</b>	<b>1,104</b>	<b>420,088</b>	<b>425,444</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Provisions for permanent diminution in value</i>				
At April 2010	-	1,089	119,515	120,604
Charge in year	-	15	1,049	1,064
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	<b>-</b>	<b>1 104</b>	<b>120,564</b>	<b>121,668</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2011</b>	<b>4 252</b>	<b>-</b>	<b>299,524</b>	<b>303,776</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2010</b>	<b>2</b>	<b>15</b>	<b>276,582</b>	<b>276,599</b>
	<hr/>	<hr/>	<hr/>	<hr/>

#### Market investments

The company increased its investment in Spotify Technology S A by subscribing for additional shares for a consideration of £4,250,335

#### Investments in associate undertakings

During the year, the directors undertook a review of the company's investments to identify any circumstances that would suggest the carrying amounts were no longer recoverable. The investment in DuzyDom Distribution has been fully provided against.

Duzy Dom Dystrybucyjng Sp Zoo	£15,271
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#### Investments in subsidiary undertakings

The impairment review of the company's investments recognised a change in circumstances for its investment in Sony Music Entertainment Greece S A.

Accordingly, the directors have prepared a valuation of the investment in the following and impaired it by

Sony Music Entertainment Greece S A	£1,048,501
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The valuation was based on the discounted cash flow of future projected earnings from the investment.

During the year, further capital investments in Sony Music Entertainment Italy SPA of £23,933,767 were made, through extension of an equity loan, in exchange for additional share premium assigned to the Company's parent (Note 16).

## Notes to the financial statements (continued)

### Investments in group undertakings (continued)

Subsidiary undertakings	Country of Incorporation	Class and percentage of shares held
Sony Music Entertainment Austria GmbH	Austria	100% ordinary share capital
Sony Music Entertainment Belgium N V	Belgium	99.99% ordinary share capital
Sony Music Entertainment Czech Republic Sro	Czech Republic	80% ordinary share capital
Sony Music Entertainment Denmark AS	Denmark	100% ordinary share capital
Sony Music Entertainment Finland OY	Finland	100% ordinary share capital
Sony Music Entertainment Germany GmbH	Germany	100% ordinary share capital
Sony Music Entertainment Greece S A	Greece	99.99% ordinary share capital
Sony Music Entertainment Hungary KFT	Hungary	99.99% ordinary share capital
Sony Music Entertainment Italy SPA	Italy	100% ordinary share capital
Sony Music Entertainment Norway AS	Norway	100% ordinary share capital
Sony Music Entertainment Poland Sp Zoo	Poland	100% ordinary share capital
Sony Music Entertainment Portugal LDA	Portugal	100% ordinary share capital
Sony Music Entertainment Sweden AB	Sweden	100% ordinary share capital
Sony Music Entertainment Switzerland GmbH	Switzerland	100% ordinary share capital
Sony Music Entertainment Turkey AS	Turkey	99.99% ordinary share capital
Sony Music Entertainment France SAS	France	100% ordinary share capital
Sony Music Entertainment International Limited	UK	100% ordinary share capital
Zomba Records Italia Srl	Italy	100% ordinary share capital
Sony Music Entertainment Taiwan	Taiwan	100% ordinary share capital
SBX Entertainment Limited	UK	100% ordinary share capital
<b>Associate undertakings</b>		
Duzy Dom Dystrybucyjng Sp Zoo *	Poland	33.3% ordinary share capital
8 Ball Music B V	Netherlands	33% ordinary share capital
<b>Market investments</b>		
Spotify Technology SA	Luxembourg	6.6% ordinary share capital
Omnifone Limited	UK	1.125% ordinary share capital

All other subsidiaries are engaged in record production and promotion except those marked with an \* which are engaged in warehousing and distribution services

## 12 Debtors

	31 March 2011 £'000	31 March 2010 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	4,824	1,642
Amounts owed by group undertakings	19,567	20,580
Group relief receivable	-	342
Other debtors	3,515	9
Prepayments and accrued income	553	1,690
	<b>28,459</b>	<b>24,263</b>
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset (see note 14)	415	393
	<b>28,874</b>	<b>24,656</b>



## Notes to the financial statements (continued)

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

	31 March 2011 £'000	31 March 2010 £ 000
Trade creditors	3,232	1,769
Group relief payable	544	-
Other creditors	11,824	1,167
Accruals and deferred income	15,310	16,414
	<u>30,910</u>	<u>19,350</u>
<i>Amounts falling due after more than one year.</i>		
Amounts owed to group undertakings	<u>19,429</u>	<u>19,429</u>

The following comparatives were adjusted to be comparable to current year presentation

	Previously reported £'000	Increase / (decrease) £'000	Re-presented £'000
Other creditors	10,971	(9,804)	1,167
Accruals and deferred income	6,610	9,804	16,414

### 14 Deferred taxation

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
At start of the year	393	369
Credit in profit and loss account	22	24
	<u>415</u>	<u>393</u>
Asset at end of year	415	393
Asset at end of year	415	393
Accelerated capital allowances	415	393
	<u>415</u>	<u>393</u>

The effects of the changes enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 31 March 2010 by £14,000. This decrease in the deferred tax asset due to the reduction in the corporate tax rate from 28% to 27% with effect from 1 April 2011. The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance as at 31 March 2010, would be to reduce the deferred tax asset by £42,000 (being £14k recognised in each of the years 2012 to 2014 inclusive).

## Notes to the financial statements (continued)

### 15 Called up share capital

	31 March 2011 £'000	31 March 2010 £'000
<b>Authorised</b>		
75,000,000 (2010 75 000 000) ordinary shares of £1 each	75,000	75,000
<b>Allotted, called up and fully paid</b>		
£46,071,166 (2010 £46,071,166) ordinary shares of £1 each	46,071	46,071

### 16 Reserves

	Share premium reserve £'000	Merger reserve £'000	Profit & loss account £'000	Total £'000
Opening balance	168,823	86,648	(38,740)	216,731
Issue	23,934	-	-	23,934
Loss for the year	-	-	(4,011)	(4,011)
Closing balance	192,757	86,648	(42,751)	236,654

During the year, further capital investment of £23,933,767 in a group subsidiary was made, through extension of an equity loan, in exchange for additional share premium assigned to the Company's parent (Note 11)

### 17 Reconciliation of movement in shareholders' funds

	31 March 2011 £'000	31 March 2010 £'000
Opening shareholders' funds	262,802	306,184
Loss for the year	(4,011)	(43,382)
Issue	23,934	-
Closing shareholders' funds	282,725	262,802

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

### 18 Pensions

The company participates in the Sony Music Entertainment UK Pension Plan, a defined benefit pension scheme. The directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and accounts for the scheme on a defined benefit basis.

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 year ended 31 March 2010. Details of this valuation are included in the accounts of Sony Music Entertainment UK Limited.

The total cost of pension benefits for all defined contribution schemes, charged to the profit and loss account, amounted to £186,269 (2010 £453,667).

### 19 Related Party Transactions

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 group of companies.

### 20 Immediate and ultimate holding company

The company's immediate holding company is Sony Music Entertainment (UK Holdings) Limited, a company incorporated in England and Wales. The ultimate holding company is Sony Corporation, a company registered in Japan.

The largest and smallest group for which group accounts are prepared, and of which the company is a member, is as follows:

Name	Sony Corporation
Country of incorporation	Japan
Address from where copies of the Group accounts can be obtained	7-1, Konan 1-chome, Minato-ku Tokyo 108-0075