

**SONY MUSIC INTERNATIONAL LIMITED**

**ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2000**

**Registered Number: 2019657**



## **SONY MUSIC INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2000**

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 2000.

### **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 £1,276,000 (1999: £972,000).

The directors do not recommend the payment of a dividend (1999: nil).

### **DIRECTORS**

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

D Black	(resigned 22 June 2000)
R Denekamp	
P Russell	
R Bowlin	(appointed 8 June 1999)
R Burke	(appointed 21 June 2000)

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 2000 (continued)**

#### **EUROPEAN MONETARY UNION**

The company has been involved with the Group Programme to review its commercial and financial processes so that its operations can transact in the Euro.

#### **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 or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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**

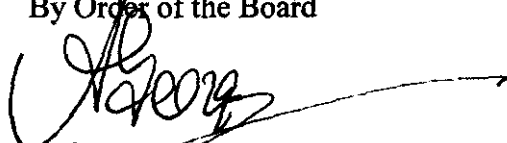
In accordance with Section 386(1) of Companies Act 1985, the company has passed a resolution dispensing with the obligation to appoint auditors annually.

#### **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

29 January 2001

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

## AUDITORS' REPORT TO THE SHAREHOLDERS OF SONY MUSIC INTERNATIONAL LIMITED

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

29 January 2001

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwork Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**SONY MUSIC INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2000**

	Notes	2000 £'000	1999 £'000
<b>TURNOVER</b>	<b>2</b>	<b>25,910</b>	<b>20,577</b>
Operating expenses	3	(24,209)	(19,376)
<b>OPERATING PROFIT</b>		<b>1,701</b>	<b>1,201</b>
Interest receivable and similar income	4	331	367
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>6</b>	<b>2,032</b>	<b>1,568</b>
Tax on profit on ordinary activities	7	(756)	(596)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>1,276</b>	<b>972</b>
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<b>3,333</b>	<b>2,361</b>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<b>4,609</b>	<b>3,333</b>

The notes on pages 6 to 13 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 2000**

	Notes	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	2,768	3,302
<b>CURRENT ASSETS</b>			
Debtors	9	8,038	13,688
<b>CREDITORS (Amounts falling due within one year)</b>	10	(6,106)	(13,467)
<b>NET CURRENT ASSETS</b>		1,932	221
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,700	3,523
<b>CREDITORS (Amounts falling due after more than one year)</b>	11	(81)	(180)
<b>NET ASSETS</b>		4,619	3,343
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	10	10
Profit and loss account		4,609	3,333
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	4,619	3,343

These accounts were approved by the board on 29 January 2001.



R Burke  
Director

The notes on pages 6 to 13 form part of these accounts.

## **SONY MUSIC INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS– YEAR ENDED 31 MARCH 2000**

#### **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 2000 (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 under Financial Reporting Standard 1 (Revised 1996) not to publish a cash flow statement as its cash flows are included within the consolidated financial statements of Sony Entertainment Holdings Europe Limited, where a consolidated cash flow statement is presented.

#### (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

	2000 £'000	1999 £'000
Operating expenses excluding exchange differences incurred on behalf of, and recharged to, group undertakings plus mark-up	25,910	20,577



# SONY MUSIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2000 (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

	2000 £'000	1999 £'000
Interest receivable	-	16
Rental income	290	290
Profit on disposal of fixed assets	41	61
	331	367

### 5 STAFF COSTS

#### Employees

Particulars of employees are as shown below:

	2000 £'000	1999 £'000
Employee costs during the year amounted to:		
Wages and salaries	10,346	8,684
Social security costs	1,188	955
Pension costs (Note 17)	912	776
	12,446	10,415

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

	2000 Number	1999 Number
Marketing and selling	24	24
Administration	105	90
	129	114

# SONY MUSIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS— YEAR ENDED 31 MARCH 2000 (CONTINUED)

### Directors' remuneration

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

	2000 £'000	1999 £'000
Emoluments (excluding pension contributions)	1,402	1,436
Company contributions paid into money purchase pension schemes	129	124

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 £370,000 (1999 - £150,989).

### 6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2000 £'000	1999 £'000
Auditors' remuneration - audit services	5	5
- other services	214	35
Hire of plant and machinery	42	45
Depreciation - owned	753	547
- leased	133	92
Staff costs (Note 5)	12,446	10,415
Other operating leases - property	718	718

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2000 £'000	1999 £'000
UK Corporation tax charge for the year at 30% (1999:31%)		
- current year	766	591
- prior year adjustment	(10)	5
	756	596

# SONY MUSIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS- YEAR ENDED 31 MARCH 2000 (CONTINUED)

### 8 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Machinery & equipment £'000	Motor vehicles £'000	Office equipment £'000	Construction in progress £'000	Total £'000
<b>Cost</b>						
As at 1 April 1999	321	2,500	680	1,618	396	5,515
Additions	-	477	98	64	89	728
Disposals	-	(25)	(216)	-	(4)	(245)
Transfers	-	658	-	(600)	(58)	-
Transfers (to)/from other Group undertakings	-	-	(8)	18	(334)	(324)
As at 31 March 2000	321	3,610	554	1,100	89	5,674
<b>Depreciation</b>						
As at 1 April 1999	92	1,283	307	531	-	2,213
Charge for the year	27	657	133	69	-	886
Disposals	-	(46)	(154)	(1)	-	(201)
Transfer (to)/from other Group undertakings	-	-	8	-	-	8
As at 31 March 2000	119	1,894	294	599	-	2,906
<b>Net book amount</b>						
As at 31 March 2000	202	1,716	260	501	89	2,768
As at 31 March 1999	229	1,217	373	1,087	396	3,302

Included in fixed assets are assets held under finance leases with a cost of £554,448 (1999:£557,117) and accumulated depreciation of £294,172 (1999:£185,409).

### 9 DEBTORS

	2000 £'000	1999 £'000
Trade debtors	322	275
Amounts owed by group undertakings	2,783	11,582
Other debtors	2,708	1,041
Prepayments and accrued income	2,225	790
	8,038	13,688

Included within other debtors are amounts totalling £Nil (1999: £428,000) in respect of staff loans recoverable after more than one year.

**SONY MUSIC INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2000  
(CONTINUED)**

**10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	51	28
Amounts owed to group undertakings	-	10,242
Corporation tax	3,085	2,565
Obligations under finance leases (note 12)	120	167
Accruals	2,850	385
Other creditors	-	80
	<b>6,106</b>	<b>13,467</b>

**11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases (note 12)	81	180

**12 FINANCE LEASES**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Gross obligations under finance leases	219	371
Less: interest not yet incurred	(18)	(24)
	<b>201</b>	<b>347</b>
Represented by:		
Amounts payable within one year	120	167
Amounts payable between two and five years	81	180
	<b>201</b>	<b>347</b>

**SONY MUSIC INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2000  
(CONTINUED)**

**13 CALLED UP SHARE CAPITAL**

	2000 £'000	1999 £'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 2000 the company had annual commitments under non cancellable operating leases as follows:

	Land and Buildings 2000 £'000	1999 £'000
Operating leases which expire:		
Between 2-5 years	718	718

Leases are subject to rent review.

**15 CAPITAL COMMITMENTS**

	2000 £'000	1999 £'000
Approved by the directors but not yet contracted for	162	609

**16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2000 £'000	1999 £'000
Profit for the financial year	1,276	972
Opening shareholders' funds	3,343	2,371
Closing shareholders' funds	4,619	3,343

## **SONY MUSIC INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 MARCH 2000 (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.

##### **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 £912,000 (1999 : £776,000).

#### **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, Rabans Lane, Aylesbury, Buckingham, HP19 3BX.