

SONY MUSIC INTERNATIONAL LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 1996



Registered Number: 2019657

SONY MUSIC INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1996

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 March 1996.

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. Turnover for the year was £13,556,000 (1995 - £11,910,000) and profit before taxation was £1,067,000 (1995 - £656,000).

DIRECTORS

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

D Black
R Denekamp
M Ilberman
P Russell

A George was appointed company secretary on 15 August 1995 replacing S Coleman.

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.

The company has taken out directors' and officers' liability insurance under S310(3) Companies Act 1985 against liabilities in relation to the company for certain officers.

SONY MUSIC INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1996 (continued)

RESPONSIBILITIES OF THE DIRECTORS

It is the responsibility of 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 as at the end of the financial year and of the profit or loss for that period. The directors are responsible for ensuring that applicable accounting standards have been followed, and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. It is also the responsibility of the directors to 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 also responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 7.

AUDITORS

In accordance with section 386(1) of the Companies Act 1985, the Company has passed a resolution electing to dispense with the obligations to appoint auditors annually. Accordingly Price Waterhouse shall be deemed to be re-appointed.

AGM

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 accounts 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

9 January 1997

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF SONY MUSIC INTERNATIONAL LIMITED

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

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 circumstances of the company, 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 as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

9 January 1997

SONY MUSIC INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1996**

	Notes	1996 £'000	1995 £'000
TURNOVER	2	13,556	11,910
		—	—
GROSS PROFIT		13,556	11,910
Operating expenses	3	(12,489)	(11,254)
		—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,067	656
Tax on profit on ordinary activities	6	(440)	(188)
		—	—
PROFIT FOR THE YEAR	15	627	468
DEFICIT AT BEGINNING OF THE YEAR		(62)	(530)
		—	—
RETAINED PROFIT/(DEFICIT) CARRIED FORWARD		565	(62)
		==	==

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 1996

	Notes	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS			
Tangible assets	7	1,348	752
CURRENT ASSETS			
Debtors	8	1,033	1,333
CREDITORS (Amounts falling due within one year)	9	(1,571)	(781)
NET CURRENT (LIABILITIES)/ASSETS		(538)	552
TOTAL ASSETS LESS CURRENT LIABILITIES		810	1,304
PROVISION FOR LIABILITIES AND CHARGES	10	(235)	(1,356)
		575	(52)
CAPITAL AND RESERVES			
Called up share capital	11	10	10
Profit and loss account		565	(62)
		575	(52)

These accounts were approved by the board on 9 January 1997.

D Black
Director



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

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996

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.

(e) Turnover

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

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

(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

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 not to publish a cash flow statement as its immediate parent company, Sony Music Entertainment UK Group Limited, has prepared consolidated financial statements including a consolidated cash flow statement.

2 TURNOVER

	1996	1995
	£'000	£'000
Operating expenses excluding exchange differences incurred on behalf of, and recharged to, group undertakings plus mark-up	13,556	11,910
	<u> </u>	<u> </u>

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.

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

4 STAFF COSTS

Particulars of employees are as shown below:

	1996 £'000	1995 £'000
Employee costs during the year amounted to:		
Wages and salaries	5,923	4,509
Social security costs	744	433
Pension costs	195	178
	<hr/>	<hr/>
	6,862	5,120
	<hr/>	<hr/>

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

	1996 Number	1995 Number
Marketing	26	27
Finance	3	4
Administration	62	46
	<hr/>	<hr/>
	91	77
	<hr/>	<hr/>

Directors' remuneration

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

	1996 £'000	1995 £'000
Emoluments (including pension contributions)	1,500	925
	<hr/>	<hr/>

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

4 STAFF COSTS (continued)

The emoluments (excluding pension contributions) of the highest paid director were £1,467,000 (1995 - £894,735).

The emoluments, excluding pension contributions, of the Directors excluding those whose duties were carried out wholly or mainly outside the United Kingdom, fell within the following bands:

	1996 Number	1995 Number
£0 - £5,000	1	2
£890,001 - £895,000	-	1
£1,465,001 - £1,470,000	1	-
	=====	=====

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1996 £'000	1995 £'000
Auditors' remuneration	5	5
Depreciation	226	224
Staff costs (Note 4)	6,862	5,120
Other operating leases - property	718	718
	=====	=====

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1996 £'000	1995 £'000
UK Corporation tax charge for the year at 33% (1995 - 33%)		
- current year	126	188
- prior year adjustment	314	-
	=====	=====
	440	188
	=====	=====

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

7 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Computer equipment £'000	Motor vehicles £'000	Office equipment £'000	Construction in progress £'000	Total £'000
Cost						
At 1 April 1995	50	364	511	448	188	1,561
Additions	26	565	272	25	4	892
Disposals	-	(75)	(92)	(18)	-	(185)
Transfers	-	-	-	64	(64)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	76	854	691	519	128	2,268
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 April 1995	-	258	204	347	-	809
Charge for the year	24	55	154	12	-	245
Disposals	-	(66)	(62)	(6)	-	(134)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1996	24	247	296	353	-	920
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount						
At 31 March 1996	52	607	395	166	128	1,348
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1995	50	106	307	101	188	752
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

8 DEBTORS

	1996 £'000	1995 £'000
Amounts owed by group undertakings	171	1,132
Other debtors	691	35
Prepayments and accrued income	171	166
	<u>1,033</u>	<u>1,333</u>

Included within other debtors is an amount totalling £672,000 recoverable after more than one year.

9 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000	1995 £'000
Amounts owed to group undertakings	195	-
Corporation tax	1,210	558
Accruals	166	223
	<u>1,571</u>	<u>781</u>

10 PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £'000	1995 £'000
Provision for net cost of property leases	235	1,356
	<u>235</u>	<u>1,356</u>

11 CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised:		
10,000 Ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>
Issued, allotted and fully paid:		
10,000 Ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

12 FINANCIAL COMMITMENTS

At 31 March 1996 the company had annual commitments under non cancellable operating leases as follows:

	<u>Buildings</u>	
	1996 £'000	1995 £'000
Operating leases which expire:		
After 5 years	718	718
	<u> </u>	<u> </u>

Leases are subject to rent review.

The company also had capital commitments approved and contracted for amounting to £157,000 (1995: £nil).

13 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 1995. 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 new 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 £195,000 (1995 - £190,000).

14 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 accounts are prepared, and of which the company is a member, is Sony Music Entertainment UK Group Limited, registered in England. Copies of both of these companies' accounts can be obtained from Sony Music Entertainment UK Group Limited, Rabans Lane, Aylesbury, Buckingham, HP19 3BX.

SONY MUSIC INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (CONTINUED)

15	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996	1995
		£'000	£'000
	Profit for the year	627	468
	Opening shareholders' funds	(52)	(520)
		—	—
	Closing shareholders' funds	575	(52)
		==	==