

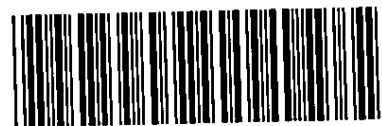
**Cheeky Records Limited**

**Directors' report and financial  
statements**

Registered number 03145173

31 December 2007

TUESDAY



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## Directors' report

The directors present their annual report and the audited financial statements for the year to 31 December 2007

### Activities

The company did not trade during the year

### Business review and results

The company made a profit on ordinary activities for the year after taxation of £329,584 for the year (2006 profit of £263,600) The directors do not recommend the payment of a dividend (2006 £nil) Profits transferred to reserves amounted to £329,584 (2006 profits transferred to reserves of £263,600)

### Future prospects

The directors do not expect a change in the level of activity in the foreseeable future

### Directors

The directors who held office during the year were

R Armstrong  
G Doherty  
M Smith  
D Constanda (appointed 20 August 2007)

### Company Secretary

Abogado Nominees Limited was appointed as company secretary on 20 August 2007 acting jointly and severally with Simon Jenkins

### 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 them self aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By Order of the Board on 10<sup>th</sup> April 2008

  
S Jenkins  
Secretary

Bedford House  
69 – 79 Fulham High Street  
London  
SW6 3JW

## **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 have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these 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 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 proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

## **Independent auditors' report to the members of Cheeky Records Limited**

We have audited the financial statements of Cheeky Records Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**Independent auditors' report to the members of Cheeky Records Limited**  
*(continued)*

**Opinion**

**In our opinion**

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*14 April* 2008

## Profit and loss account

*for the year to 31 December 2007*

	<i>Note</i>	2007 £	2006 £
Interest receivable and similar income	5	470,834	376,571
<b>Profit on ordinary activities before taxation</b>	2	<b>470,834</b>	<b>376,571</b>
Tax on profit on ordinary activities	6	(141,250)	(112,971)
<b>Profit on ordinary activities after taxation</b>	10	<b>329,584</b>	<b>263,600</b>
<b>Retained profit for the year</b>		<b>329,584</b>	<b>263,600</b>

Profit on ordinary activities before taxation for the year and prior year relates exclusively to continuing operations

There is no difference between the result as disclosed in the profit and loss account and the result on a historical cost basis

## Statement of total recognised gains and losses

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 page 7 to 10 form part of these financial statements

## Balance sheet

at 31 December 2007

	Note	2007 £	2006 £
<b>Current assets</b>			
Debtors	7	6,699,082	6,317,266
Creditors . amounts falling due within one year	8	(254,221)	(201,989)
<b>Net current assets / net assets</b>		<u>6,444,861</u>	<u>6,115,277</u>
<b>Share capital and reserves</b>			
Called up share capital	9	100	100
Profit and loss account	10	6,444,761	6,115,177
<b>Shareholders' funds</b>	11	<u>6,444,861</u>	<u>6,115,277</u>

These financial statements were approved by the Board on 10 April 2008 and were signed on its behalf by



**D Constanda**  
Director

The notes on pages 7 to 10 form part of these financial statements



## Notes

*(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 in relation to the company's 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 BMG Music Entertainment B V, a company incorporated in The Netherlands 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

#### ***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 FRS 19

Sony BMG UK entities including 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

### 2 Profit on ordinary activities before taxation

The audit fee for the company of £1,000 (2006 £1,000) is borne by the company's immediate parent company, Sony BMG Music Entertainment (UK) Limited

### 3 Remuneration of directors

The directors receive emoluments from the group for their services to the company and certain other subsidiaries in the group. The total emoluments are charged in the accounts of the holding company, Sony BMG Music Entertainment (UK) Limited

Retirement benefits are accruing to 3 directors (2006 2) under a money purchase pension scheme, and are charged in the accounts of Sony BMG Music Entertainment (UK) Limited

### 4 Staff numbers and costs

There were no persons employed by the company during the year (2006 nil) and consequently no staff costs (2006 £nil)

**Notes (continued)**

**5 Interest receivable and similar income**

	2007 £	2006 £
Other loans	470,834	376,571

Intercompany balances carried a rate of interest of 7.48% in 2007 (2006 6.27%)

**6 Tax on profit on ordinary activities**

	2007 £	2006 £
UK corporation tax charge at 30% (2006 30%)	141,250	112,971

The tax assessed for the year and prior year is equal to (2006 equal to) the standard rate of corporation tax in the UK (30%)

	2007 £	2006 £
Profit on ordinary activities before tax	470,834	376,571
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	141,250	112,971

**7 Debtors**

	2007 £	2006 £
Amounts owed by group undertakings	6,699,082	6,317,266

**8 Creditors' amounts falling due within one year**

	2007 £	2006 £
Corporation tax	254,221	201,989

**Notes (continued)**

**9 Called up share capital**

	2007 £	2006 £
<i>Authorised, allotted, called up and fully paid</i>		
100 (2006 100) ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

**10 Profit and loss account**

	2007 £	2006 £
Opening balance	6,115,177	5,851,577
Retained profit for the year	329,584	263,600
	<u>6,444,761</u>	<u>6,115,177</u>
<b>Closing balance</b>	<u>6,444,761</u>	<u>6,115,177</u>

**11 Reconciliation of movements in shareholders' funds**

	2007 £	2006 £
Opening shareholders' funds	6,115,277	5,851,677
Profit for the year	329,584	263,600
	<u>6,444,861</u>	<u>6,115,277</u>
<b>Closing shareholders' funds</b>	<u>6,444,861</u>	<u>6,115,277</u>

**12 Immediate and ultimate holding company**

The company's immediate holding company is Sony BMG Music Entertainment (UK) Limited, a company incorporated in England and Wales. The ultimate holding company is Sony BMG Music Entertainment B V, a company registered in the Netherlands which is 50% owned by Bertelsmann AG and 50% owned by Sony Corporation of America.

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

Name	Sony BMG Music Entertainment B V
Country of incorporation	The Netherlands
Address from where copies of the Group accounts can be obtained	Heuvellaan 50, 1217 JN Hilversum The Netherlands

**Notes** *(continued)*

**13 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 BMG Music Entertainment B V group of companies. There are no other related party transactions.