

Sony Music Entertainment UK Holdings Limited

Directors' report and financial statements

Registered number 3185450

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

Activities

The principal activity of the company is that of an investment holding company

Business review and results

The company made a loss on ordinary activities after taxation of £6,879,678 (2010 £8,107,072) The directors do not recommend the payment of a dividend (2010 £nil) Losses transferred to reserves amounted to £6,879,678 (2010 loss £8,107,072)

Key risks, uncertainties, opportunities and future prospects

The company holds investments in companies engaged in the music and entertainment industry which is undergoing a rapid change with a move away from distribution via physical media towards broader exploitation through digital and other business models Key risks arise from impairment of investments and interest rate risk on borrowings The companies in which investments are held are well placed to face the challenges and to take advantage of the opportunities which exist in the markets where they operate

Key performance indicators (KPIs)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Directors

The directors who served during the year were

G Doherty (resigned 11 November 2011)
W Rowe
R Sanders (resigned 19 September 2011)
J Swidler
K Lawrie (appointed 24 September 2010)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2011

Company Secretary

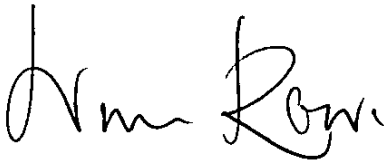
Abogado Nominees Limited and Simon Jenkins acted jointly and severally as company secretary during the year

Directors' report *(continued)*

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

On behalf of the Board on 09/12/2011

A handwritten signature in black ink, appearing to read 'Wm Rowe', written in a cursive style.

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 the directors have 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 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 judgments 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 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 UK Holdings Limited

We have audited the financial statements of Sony Music Entertainment UK Holdings 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. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited 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

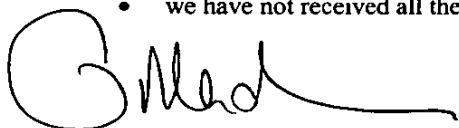
Opinion on other matter prescribed by the Companies Act 2006

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 (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

9 December 2011

Profit and loss account

| | <i>Note</i> | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|--|-------------|---|---|
| Other interest receivable and similar income | 5 | 42 | 373,423 |
| Other interest payable and similar charges | 6 | (9,591,730) | (11,633,245) |
| Loss on ordinary activities before taxation | | (9,591,688) | (11,259,822) |
| Tax credit on loss on ordinary activities | 7 | 2,712,010 | 3,152,750 |
| Loss on ordinary activities after taxation | 12 | (6,879,678) | (8,107,072) |

Loss on ordinary activities for the year and prior year ended 31 March 2010 relates exclusively to continuing operations

There is no difference between the loss as disclosed in the profit and loss account and the loss 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 8 to 13 form part of these financial statements

Balance sheet

| | Note | 2011 £ | 2010 £ |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 8 | 574,733,870 | 550,799,140 |
| Current assets | | | |
| Debtors | 9 | 24,891,215 | 22,179,205 |
| Creditors: amounts falling due within one year | 10 | (497,131,866) | (187,540,178) |
| Net current liabilities | | (472,240,651) | (165,360,973) |
| Total assets less current liabilities | | 102,493,219 | 385,438,167 |
| Creditors: amounts falling due after more than one year | 10 | - | (300,000,000) |
| Net assets | | 102,493,219 | 85,438,167 |
| Share capital and reserves | | | |
| Called up share capital | 11 | 23,789,137 | 23,789,136 |
| Share premium reserve | 12 | 132,382,735 | 108,448,006 |
| Profit and loss account | 12 | (53,678,653) | (46,798,975) |
| Shareholders' funds | 13 | 102,493,219 | 85,438,167 |

These financial statements were approved by the Board on 9th December 2011 and were signed on its behalf by



W Rowe
Director

The notes on pages 8 to 13 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

Going concern

The company financial statements are prepared on a going concern basis. The company has net current liabilities of £472,240,651 (2010 £165,360,973). Current liabilities relate to amounts due to group undertakings and therefore on that basis, the financial statements have been prepared on a going concern basis.

Cash flow exemption

The company is exempt from the requirement of Financial Reporting Standard 1 (1996), 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 UK Holdings 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.

Investments

Investments are stated at cost less provision for any impairment. Impairment reviews are undertaken if there are indications that the investment carrying values may not be recoverable.

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 Music UK 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.

2 Staff numbers and employees

There were no persons employed by the company during the year (2010 nil) and consequently no staff costs (2010 £nil).

Notes (continued)

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 company's subsidiary undertakings, Sony Music Entertainment UK Limited and Sony Music Entertainment International Limited.

Retirement benefits are accruing to 3 directors (2010: 3) under a money purchase pension scheme, and are charged in the accounts of Sony Music Entertainment UK Limited and Sony Music Entertainment International Limited.

4 Loss on ordinary activities before taxation

The audit fee for the company of £2,000 (2010: £2,000) is borne by the company's subsidiary undertaking, Sony Music Entertainment UK Limited.

5 Other interest receivable and similar income

| | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|--|-------------------------------------|-------------------------------------|
| Interest receivable from group companies | 42 | 373,423 |

Intercompany balances earned a rate of interest of 1.53% in the year (2010: 1.86%).

6 Other interest payable and similar charges

| | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Interest payable to group companies | 9,591,730 | 11,633,245 |

Intercompany balances carried a rate of interest of 1.53% in the year (2010: 1.86%).

Notes (continued)

7 Tax on loss on ordinary activities

| | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|---|-------------------------------------|-------------------------------------|
| Current tax credit on loss for the year | 2,712,010 | 3,152,750 |

Factors affecting the tax charge for the year

The tax assessed for the year is equal to (2010 equal to) the standard effective rate of corporation tax in the UK of 28% (2010 28%)

The differences are explained below

| | Year ended 31 March 2011 £ | Year ended 31 March 2010 £ |
|--|-------------------------------------|-------------------------------------|
| Loss on ordinary activities before tax | 9,591,688 | 11,259,822 |
| Loss on ordinary activities multiplied by the standard effective rate of corporation tax in the UK of 28% (2010 28%) | 2,685,673 | 3,152,750 |
| Effects of | | |
| UK Transfer pricing adjustment | (80,421) | - |
| Adjustment to tax charge in respect of previous periods | 106,758 | - |
| Current tax credit for the year | 2,712,010 | 3,152,750 |

Factors affecting 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. This change was announced in the March 2011 Budget Statement together with the intention to reduce the main rate of corporation tax to 23% by 1 April 2014. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is included in the Finance Act 2011. None of the rate reductions from 25% to 23% had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The company has trading losses and non trading loan relationship deficits carried forward of £1,695,778 (2010 £1,088,000). No deferred tax asset has been recognised in respect of these deficits as at 31 March 2011 (2010 £nil), as it is considered more likely than not that there will not be suitable profits in future years against which to relieve them.

Relief for these deficits will only be obtained if there are suitable profits in future years.

The potential deferred tax asset unrecognised as at 31 March 2011 is £440,902 (2010 £305,000).

Notes (continued)

8 Investment in subsidiary undertakings

| | Subsidiary undertaking £ |
|---|--------------------------------|
| <i>Cost</i> | |
| At 1 April 2010 | 551,979,140 |
| Additions during the year | 23,934,730 |
| At 31 March 2011 | 575,913,870 |
| <i>Provisions for permanent diminution in value</i> | |
| At 1 April 2010 and at 31 March 2011 | (1,180,000) |
| <i>Net book value</i> | |
| At 31 March 2011 | 574,733,870 |
| At 31 March 2010 | 550,799,140 |

The company made a contribution of £23,934,730 to Sony Music Entertainment International Limited, its subsidiary on 30 September 2010

The company has the following subsidiary undertakings, all of which are incorporated in Great Britain and wholly owned except where otherwise indicated. All companies are unlisted.

| Name of company | Principal activity | Class and percentage of shares held |
|---|------------------------------------|--|
| Sony Music Entertainment UK Limited | Record production and promotion | 100% ordinary share capital |
| Sony Music Entertainment International Limited | Record production and promotion | 100% ordinary share capital |

9 Debtors

| | 31 March 2011 £ | 31 March 2010 £ |
|---------------------|-----------------------|-----------------------|
| Group relief debtor | 24,891,215 | 22,179,205 |

Notes (continued)

10 Creditors

| | 31 March 2011 £ | 31 March 2010 £ |
|--|-----------------------|-----------------------|
| Amounts falling due within one year | | |
| Amounts due to group undertakings | 497,131,866 | 187,540,178 |
| Amounts falling due after one year | | |
| Amounts due to group undertakings | - | 300,000,000 |

Within the £497,131,866 is an amount of £300,000,000 which the company is funded by a loan from SBME Holdings BV in Holland. The term of the loan in 2006 was 5 years and repayment on 13 December 2011. The interest rate is based on GBP Libor. The repayment terms have been extended to 6 years and repayment is due on 13 December 2012.

11 Called up share capital

| | 31 March 2011 £ | 31 March 2010 £ |
|--|-----------------------|-----------------------|
| Allotted, called up and fully paid: | | |
| 23,789,137 (2010: 23,789,136) ordinary shares of £1 each | 23,789,137 | 23,789,136 |

On 30 September 2010 the company issued one ordinary share of £1 to SBME Holdings BV for a total consideration of £23,934,730.

12 Reserves

| | Share Premium Reserve £ | Profit and Loss account £ | Total £ |
|---|-------------------------------|---------------------------------|-------------------|
| Opening balance at 1 April 2010 | 108,448,006 | (46,798,975) | 61,649,031 |
| Loss for the year | - | (6,879,678) | (6,879,678) |
| Share capital issued during the year | 23,934,729 | - | 23,934,729 |
| Closing balance at 31 March 2011 | 132,382,735 | (53,678,653) | 78,704,082 |

Notes (continued)

13 Reconciliation of movements in shareholders' funds

| | 31 March 2011 £ | 31 March 2010 £ |
|--------------------------------------|-----------------------|-----------------------|
| Opening shareholders' funds | 85,438,167 | 93,545,239 |
| Loss for the year | (6,879,678) | (8,107,072) |
| Share capital issued during the year | 23,934,730 | - |
| Closing shareholders' funds | 102,493,219 | 85,438,167 |

14 Immediate and ultimate holding company

The company's immediate holding company is SBME Holdings B V , a company incorporated in the Netherlands. The ultimate parent undertaking and controlling party is Sony Corporation, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Sony Corporation consolidated financial statements can be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

15 Related transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Sony Corporation group of companies. There are no other related party transactions.