

# **Sony Music Entertainment UK Holdings Limited**

**Directors' report and financial statements**

**Registered number 3185450**

**31 March 2013**

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## **Directors' report**

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## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2013

### Principal activities

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

### Business review and results

The company made a loss for the financial year of £8,055,586 (2012 £7,973,709) The directors do not recommend the payment of a dividend (2012 *£nil*) Losses transferred from reserves amounted to £8,055,586 (2012 £7,973,709)

### 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 of the company who were in office during the year and up to the date of signing the financial statements were

William Rowe  
Julie Swidler  
Nicholas Gatfield (appointed 31 July 2012)  
Bert Schorer (appointed 24 October 2012)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2013 (2012 *none*)

### Company Secretary


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

### 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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

By order of the Board on 4 October 2013



William Rowe  
Director

## **Statement of directors' responsibilities**

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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
- 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 2013 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 the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

As explained more fully in the Statement of the directors' responsibilities set out on page 2 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 Directors' Report and financial statements 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 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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.

**Independent auditors' report to the members of Sony Music Entertainment UK Holdings Limited** *(continued)*

**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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report



Matthew Mullins (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
10 October 2013

## **Profit and loss account**

*for the year ended 31 March 2013*

	<i>Note</i>	<b>Year ended 31 March 2013 £</b>	<b>Year ended 31 March 2012 £</b>
Interest receivable and similar income	5	513,295	499,602
Interest payable and similar charges	6	(10,589,290)	(11,275,400)
<b>Loss on ordinary activities before taxation</b>	3	<b>(10,075,995)</b>	<b>(10,775,798)</b>
Other non-operating (expense) / income	7	(449,911)	516
<b>Loss before taxation</b>		<b>(10,525,906)</b>	<b>(10,775,282)</b>
Tax on loss on ordinary activities	8	2,470,320	2,801,573
<b>Loss for the financial year</b>	13	<b>(8,055,586)</b>	<b>(7,973,709)</b>

Loss on ordinary activities for the year and prior year relate 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 within the profit and loss account

The notes on pages 7 to 12 form part of these financial statements

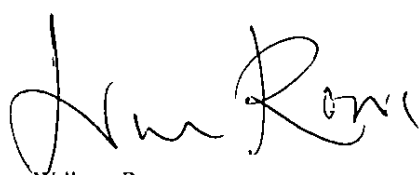
## Balance sheet

as at 31 March 2013

	<i>Note</i>	<b>31 March 2013 £</b>	<b>31 March 2013 £</b>
<b>Fixed assets</b>			
Investments	9	581,581,083	574 733,870
<b>Current assets</b>			
Debtors	10	30,249,840	21,500,675
<b>Creditors</b> amounts falling due within one year	11	(525,366,999)	(501 715,035)
<b>Net current liabilities</b>		(495,117,159)	(480 214,360)
<b>Total assets less current liabilities</b>		86,463,924	94,519,510
<b>Net assets</b>		86,463,924	94 519,510
<b>Capital and reserves</b>			
Called up share capital	12	23,789,137	23,789,137
Share premium account	13	132,382,735	132 382 735
Profit and loss account	13	(69,707,948)	(61 652 362)
<b>Total shareholders' funds</b>	14	86,463,924	94,519,510

These accounts have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements on pages 5 to 12 were approved by the Board of Directors on 4 October 2013 and signed on its behalf by



William Rowe  
**Director**



## 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 in relation to the company's financial statements

#### *Basis of preparation*

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom, and in accordance with the with the Financial Reporting Standards for Smaller Entities (effective April 2008) as applicable to financial statements prepared in accordance with the small companies regime of the Companies Act 2006

#### *Going concern*

The company financial statements are prepared on a going concern basis. The company has net current liabilities of £495,117,159 (2012 £480,214,360). Current liabilities relate to amounts due to group undertakings in relation to which the directors are satisfied that these will not be repayable within the next twelve months. Accordingly, 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.

#### *Consolidation*

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 financial statements of Sony Corporation, a company incorporated in Japan. The directors consider the financial statements 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 financial statements.

#### *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.

## Notes to the financial statements (continued)

### 2 Staff numbers and employees

There were no persons employed by the company during the year (2012 nil) and consequently no staff costs (2012 £nil)

### 3 Loss on ordinary activities before taxation

The audit fee for the company of £2,000 (2012 £2,000) is borne by the company's subsidiary undertaking, Sony Music Entertainment UK Limited

### 4 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 financial statements of the company's subsidiary undertakings, Sony Music Entertainment UK Limited and Sony Music Entertainment International Limited.

UK retirement benefits are accruing to 4 directors (2012 3) under a money purchase pension scheme, and are charged in the financial statements of Sony Music Entertainment UK Limited and Sony Music Entertainment International Limited.

### 5 Interest receivable and similar income

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Interest receivable from group companies	513,295	499,602

Intercompany balances carried a rate of interest of 1.40% in the year (2012 1.75%)

### 6 Interest payable and similar charges

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Interest payable to group companies	10,589,290	11,275,400

The loan from the company's immediate parent company, SBML Holdings BV, carries an interest rate of 2.27%, see note 11. Other intercompany balances carried a rate of interest of 1.40% in the year (2012 1.75%).

## Notes to the financial statements (continued)

### 7 Other non-operating expense / (income)

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Exchange losses / (gains)	449,913	(516)

### 8 Tax on loss on ordinary activities

#### Analysis of current tax credit for the year

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
UK corporation tax at 24% (2012 26%)	2,526,217	2,801,573
Adjustment in respect of previous years	(55,897)	-
<b>Total current tax credit for the year</b>	<b>2,470,320</b>	<b>2,801,573</b>

The tax credit assessed for the year is lower than (2012 equal to) than the standard effective rate of corporation tax in the UK of 24% (2012 26%). The differences are explained below

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
<b>Loss on ordinary activities before taxation</b>	<b>10,525,906</b>	<b>10,775,282</b>
Loss on ordinary activities multiplied by the standard effective rate of corporation tax in the UK of 24% (2012 26%)	2,526,217	2,801,573
Effects of Adjustments in respect of previous years	(55,897)	-
<b>Total current tax credit</b>	<b>2,470,320</b>	<b>2,801,573</b>

#### Factors affecting current and future tax charges

On 17 July 2012, Finance Act 2012 was enacted thereby reducing the corporation tax rate from 24% to 23% effective from 01 April 2013. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is included in the Finance Act 2013. The rate reductions from 23% to 21% had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

## Notes to the financial statements (continued)

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

The company has trading losses and non trading loan relationship deficits carried forward of £1,695,778 (2012 £1,695,778). No deferred tax asset has been recognised in respect of these deficits as at 31 March 2013 (2012 £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 2013 is £390,029 (2012 £406,987).

### 9 Investments

	Subsidiary undertaking £
<b>Cost</b>	
Cost as at 1 April 2012	575,913,870
Increase in investments	6,847,213
	<hr/>
<b>Cost as at 31 March 2013</b>	<b>582,761,083</b>
	<hr/>
<b>Provisions for impairment</b>	
At 1 April 2012 and at 31 March 2013	(1,180,000)
	<hr/>
<b>Net book value</b>	
<b>At 31 March 2013</b>	<b>581,581,083</b>
	<hr/>
At 31 March 2012	574,733,870
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During the year, the company increased its investment in its subsidiary Sony Music Entertainment UK Limited by purchasing 1 share for £6,847,213.

The directors believe that the carrying value of the investments is supported by their underlying businesses and assets.

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 activities	Class and percentage of shares held
Sony Music Entertainment UK Limited	Recorded music	100% ordinary share capital
Sony Music Entertainment International Limited	Provision of consultancy services within the music industry and ownership of investments	100% ordinary share capital

## Notes to the financial statements (continued)

### 10 Debtors

	31 March 2013 £	31 March 2012 £
Amounts owed from group undertakings	23,901,940	-
Group relief debtor	6,347,900	21,500,675
	<u>30,249,840</u>	<u>21,500,675</u>

### 11 Creditors

	31 March 2013 £	31 March 2012 £
<i>Amounts falling due within one year:</i>		
Amounts owed to group undertakings	525,366,999	501,715,035
	<u>525,366,999</u>	<u>501,715,035</u>

Within the £525,366,999 is an amount of £300,000,000 which is a loan from its parent company, SBME Holdings BV in the Netherlands. The initial term of the loan was 5 years commencing 2006 with repayment due on 13 December 2011 and was subsequently extended to 13 December 2013. The repayment terms have since been extended by a further year and it is now due for repayment on 13 December 2014. The interest rate is 2.27%.

### 12 Called up share capital

	31 March 2013 £	31 March 2012 £
<i>Allotted and fully paid</i>		
23,789,137 (2012: 23,789,137) ordinary shares of £1 each	23,789,137	23,789,137
	<u>23,789,137</u>	<u>23,789,137</u>

### 13 Reserves

	Share Premium account £	Profit and Loss account £	Total £
Opening balance at 1 April 2012	132,382,735	(61,652,362)	70,730,373
Loss for the financial year	-	(8,055,586)	(8,055,586)
	<u>132,382,735</u>	<u>(69,707,948)</u>	<u>(62,674,787)</u>
<b>Closing balance at 31 March 2013</b>	<b>132,382,735</b>	<b>(69,707,948)</b>	<b>(62,674,787)</b>

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

### 14 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Opening shareholders' funds	94,519,510	102,493,219
Loss for the financial year	(8,055,586)	(7,973,709)
<b>Closing shareholders' funds</b>	<b>86,463,924</b>	<b>94,519,510</b>

### 15 Related party 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. The company had no other related party transactions.

### 16 Immediate and ultimate parent company

The company's immediate parent 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.