

Sony Music Entertainment UK Holdings Limited
(formerly Sony BMG Music Entertainment (UK Holdings) Limited)

Directors' report and financial statements

Registered number 3185450

31 March 2009

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Directors' report

The directors present their annual report and the audited financial statements for the 15 month period to 31 March 2009

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 £26,116,759 (2007 loss of £21,593,892)
The directors do not recommend the payment of a dividend (2007 £nil)

On 2 January 2009 the company changed its name from SonyBMG Music Entertainment (UK Holdings) Limited to Sony Music UK Holdings Limited

During the period, the financial year of the company was changed from 31 December to 31 March

Key risks, uncertainties, opportunities and future prospects

The company and its subsidiaries are engaged in the music and entertainment industry which is undergoing a period of rapid change with a move away from distribution via physical media towards broader exploitation through digital and other business models. The directors believe that the company and its subsidiaries 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 (KPI)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's 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	
W Rowe	
D Mandil	(resigned 20 February 2008)
T Bowen	(resigned 17 April 2008)
M Steinkamp	(resigned 3 September 2008)
D Constanda	(resigned 1 October 2008)
R Sanders	(appointed 17 April 2008)
J Swidler	(appointed 17 April 2008)
R Story	(appointed 11 December 2008)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2009 or 31 December 2007

Company Secretary

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

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

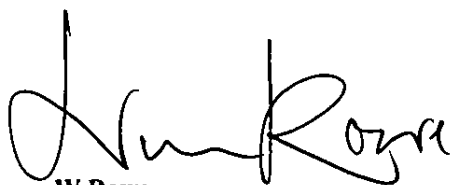
Directors' report *(continued)*

Auditors

KPMG LLP resigned as auditors on 20 January 2009. The directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy created by this resignation.

PricewaterhouseCoopers LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By Order of the Board on 12 March 2010

A handwritten signature in black ink, appearing to read 'W Rowe', is written over the printed name and title.

W Rowe
Director

9 Derry Street
London
W8 5HY

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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 15 month period to 31 March 2009 which comprises the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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

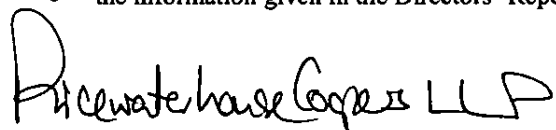
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2009 and of its loss for the 15 month period 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.



PricewaterhouseCoopers LLP
Chartered Accountants
Registered Auditor
St Albans

12 March 2010

Profit and loss account

	<i>Note</i>	15 months ended 31 March 2009 £	Year ended 31 December 2007 £
Other interest receivable and similar income	5	4,099,983	2,992,713
Other interest payable and similar charges	6	(40,575,905)	(33,841,130)
Loss on ordinary activities before taxation	4	(36,475,920)	(30,848,417)
Tax credit on loss on ordinary activities	7	9,771,930	9,254,525
Loss on ordinary activities after taxation	12	(26,703,990)	(21,593,892)
Loss for the period	12	(26,703,990)	(21,593,892)

Loss on ordinary activities for the period 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

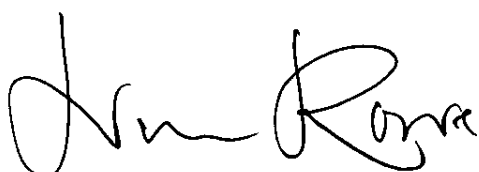
A statement of total recognised gains and losses has not been presented as there are no gains or losses other than those dealt with in the profit and loss account

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

Balance sheet
at 31 March 2009

	Note	31 March 2009 £	31 December 2007 £
Fixed assets			
Investments	8	550,799,140	550,799,140
Current assets			
Debtors	9	19,026,456	117,791,799
Creditors: amounts falling due within one year	10	(176,280,357)	(180,570,221)
Net current liabilities		(157,253,901)	(62,778,422)
Total assets less current liabilities		393,545,239	488,020,718
Creditors: amounts falling due after more than one year	10	(300,000,000)	(367,771,489)
Net assets		93,545,239	120,249,229
Share capital and reserves			
Called up share capital	11	23,789,136	23,789,136
Share premium reserve	12	108,448,006	108,448,006
Profit and loss account	12	(38,691,903)	(11,987,913)
Shareholders' funds	13	93,545,239	120,249,229

These financial statements were approved by the Board on 12 March 2010 and were signed on its behalf by



W Rowe
Director

The notes on pages 7 to 12 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 are 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 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

As provided under Section 228a of the Companies Act 1985, Sony Music Entertainment UK Holdings Limited is exempt from the requirement to prepare group accounts. The financial statements therefore present information concerning the company only

Investments

Investments are stated at cost less provision for any impairment

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 period (*year ended 31 December 2007 nil*) and consequently no staff costs (*year ended 31 December 2007 £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 undertaking, Sony Music Entertainment UK Limited and Sony Music Entertainment International Limited, another group company.

Retirement benefits are accruing to 3 directors (2007: 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 (year ended 31 December 2007: £1,000) is borne by the company's subsidiary undertaking, Sony Music Entertainment UK Limited.

5 Other interest receivable and similar income

	15 months ended 31 March 2009 £	Year ended 31 December 2007 £
Other loans	4,099,983	2,992,713

Intercompany balances carried a rate of interest of 6.03% in the period (year ended 31 December 2007: 7.48%).

6 Other interest payable and similar income

	15 months ended 31 March 2009 £	Year ended 31 December 2007 £
Other loans	(40,575,905)	(33,841,130)

Intercompany balances carried a rate of interest of 6.03% in the period (year ended 31 December 2007: 7.48%).

Notes (continued)

7 Tax on loss on ordinary activities

	15 months ended 31 March 2009 £	Year ended 31 December 2007 £
Current tax credit on loss for the period	10,050,062	9,254,525

Factors affecting the tax charge for the period

The tax assessed for the year is equal (*year ended 31 December 2007 equal*) to the standard effective rate of corporation tax in the UK of 28.4% (*year ended 31 December 2007 30%*)

The differences are explained below

	15 months ended 31 March 2009 £	Year ended 31 December 2007 £
Loss on ordinary activities before tax	36,475,920	30,848,417
Loss on ordinary activities multiplied by the standard effective rate of corporation tax in the UK of 28.4% (2007 30%)	10,359,161	9,254,525
<i>Effects of</i>		
Loss carried forward	(304,745)	-
Differing tax rates	(4,354)	-
Current tax credit for the period	(10,050,062)	(9,254,525)

Factors affecting future tax charges

The company has trading losses and non trading loan relationship deficits carried forward of £1,088,000 (2007 £nil). No deferred tax asset has been recognised in respect of these deficits as at 31 March 2009 (31 December 2007 £nil), as it is considered more likely than not that there will not be suitable profits in future periods against which to relieve them.

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

The potential deferred tax asset unrecognised as at 31 March 2009 is £305,000 (2007 £nil).

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.4% and will be taxed at 28% in the future.

Notes (continued)

8 Investment in subsidiary undertakings

	Subsidiary undertaking £
<i>Cost</i>	
At 1 January 2008 and at 31 March 2009	551,979,140
<i>Provisions for permanent diminution in value</i>	
At 1 January 2008 and at 31 March 2009	(1,180,000)
<i>Net book value</i>	
At 31 December 2007 and at 31 March 2009	550,799,140

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 2009 £	31 December 2007 £
Amounts owed by group undertakings	-	105,501,025
Group relief debtor	19,026,456	12,290,774
	<u>19,026,456</u>	<u>117,791,799</u>

Notes (continued)

10 Creditors

	31 March 2009 £	31 December 2007 £
Amounts falling due within one year		
Amounts due to group undertakings	176,280,357	180,570,221
	<u> </u>	<u> </u>
Amounts falling due after one year		
Amounts due to group undertakings	300,000,000	367,771,489
	<u> </u>	<u> </u>

11 Called up share capital

	31 March 2009 £	31 December 2007 £
Authorised:		
23,789,136 (year ended 31 December 2007 23,789,136 ordinary shares of £1 each	23,789,136	23,789,136
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
23,789,136 (year ended 31 December 2007 23,789,136) ordinary shares of £1 each	23,789,136	23,789,136
	<u> </u>	<u> </u>

12 Reserve

	Share Premium Reserve £	Profit and Loss account £	Total £
Balance at 1 January 2008	108,448,006	(11,987,913)	96,460,093
Loss for the year	-	(26,703,990)	(26,703,990)
	<u> </u>	<u> </u>	<u> </u>
Closing balance	108,448,006	(38,691,903)	69,756,103
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

13 Reconciliation of movements in shareholders' funds

	31 March 2009 £	31 December 2007 £
Opening shareholders' funds	120,249,229	40,236,121
Loss for the year	(26,703,990)	(21,593,892)
Issue of ordinary shares	-	101,607,000
	<hr/>	<hr/>
Closing shareholders' funds	<u>93,545,239</u>	<u>120,249,229</u>

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 holding company is Sony Corporation, a company registered in Japan.

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

Name	Sony Corporation
Country of incorporation	Japan
Address from where copies of the Group accounts can be obtained	7-1, Konan 1-chome, Minato-ku, Tokyo 108-0075

15 Related 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 Corporation group of companies. There are no other related party transactions.