

Sony Music Entertainment UK Holdings Limited

Directors' report and financial statements

Registered number 3185450

31 March 2010

THURSDAY



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

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 £8,107,072 (*15 month period ended 31 March 2009 loss of £26,703,990*) The directors do not recommend the payment of a dividend (*15 month ended 31 March 2009 £nil*) Retained losses transferred to reserves amounted to £8,107,072 (*15 months ended 31 March 2009 losses transferred to reserves of £26,703,990*)

Key risks, uncertainties, opportunities and future prospects

The company and its subsidiaries are engaged in the music and entertainment industry which is undergoing a year 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

R Sanders

J Swidler

R Story (resigned 1 September 2009)

K Lawrie (appointed 1 September 2009)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2010

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

By Order of the Board on 2 March 2011

A handwritten signature in black ink, appearing to read 'W Rowe', is written over a horizontal line.

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 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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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 5 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 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.

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 2010 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

2 March 2011

Profit and loss account

	<i>Note</i>	Year ended 31 March 2010 £	15 months ended 31 March 2009 £
Other interest receivable and similar income	5	373,423	4,099,985
Other interest payable and similar charges	6	(11,633,245)	(40,575,905)
Loss on ordinary activities before taxation	4	(11,259,822)	(36,475,920)
Tax credit on loss on ordinary activities	7	3,152,750	9,771,930
Loss on ordinary activities after taxation	12	(8,107,072)	(26,703,990)
Loss for the year	12	(8,107,072)	(26,703,990)

Loss on ordinary activities for the year and prior period ended 31 March 2009 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 2010

	Note	31 March 2010 £	31 March 2009 £
Fixed assets			
Investments	8	550,799,140	550,799,140
Current assets			
Debtors	9	22,179,205	19,026,456
Creditors, amounts falling due within one year	10	(187,540,178)	(176,280,357)
Net current liabilities		(165,360,973)	(157,253,901)
Total assets less current liabilities		385,438,167	393,545,239
Creditors, amounts falling due after more than one year	10	(300,000,000)	(300,000,000)
Net assets		85,438,167	93,545,239
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	(46,798,975)	(38,691,903)
Shareholders' funds	13	85,438,167	93,545,239

These financial statements were approved by the Board on 2 March 2011 and were signed on its behalf by



W Rowe
Director

REGISTERED NUMBER 3185450

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 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 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

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 *(15 month period ended 31 March 2009 nil)* and consequently no staff costs *(15 month period ended 31 March 2009 £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 (15 month period ended 31 March 2009: 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 (15 month period ended 31 March 2009: £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 2010 £	15 months ended 31 March 2009 £
Other loans	373,423	4,099,985

Intercompany balances earned a rate of interest of 1.86% in the year (15 month period ended 31 March 2009: 6.03%).

6 Other interest payable and similar income

	Year ended 31 March 2010 £	15 months ended 31 March 2009 £
Other loans	(11,633,245)	(40,575,905)

Intercompany balances carried a rate of interest of 1.86% in the year (15 month period ended 31 March 2009: 6.03%).

Notes (continued)

7 Tax on loss on ordinary activities

	Year ended 31 March 2010 £	15 months ended 31 March 2009 £
Current tax credit on loss for the year / period	3,152,750	9,771,930

Factors affecting the tax charge for the year

The tax assessed for the year is equal to (15 month period ended 31 March 2009 lower than) the standard effective rate of corporation tax in the UK of 28% (15 month period ended 31 March 2009 28.4%)

The differences are explained below

	Year ended 31 March 2010 £	15 months ended 31 March 2009 £
Loss on ordinary activities before tax	11,259,822	36,475,920
Loss on ordinary activities multiplied by the standard effective rate of corporation tax in the UK of 28% (15 month period ended 31 March 2009 28.4%)	3,152,750	10,359,161
<i>Effects of</i>		
Loss carried forward	-	(582,877)
Differing tax rates	-	(4,354)
Current tax credit for the year	3,152,750	9,771,930

Factors affecting future tax charges

The company has trading losses and non trading loan relationship deficits carried forward of £1,088,000 (15 month period ended 31 March 2009 £1,088,000). No deferred tax asset has been recognised in respect of these deficits as at 31 March 2010 (31 March 2009 £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 2010 is £305,000 (2009 £305,000).

Notes (continued)

8 Investment in subsidiary undertakings

	Subsidiary undertaking £
<i>Cost</i>	
At 1 April 2009 and at 31 March 2010	551,979,140
<i>Provisions for permanent diminution in value</i>	
At 1 April 2009 and at 31 March 2010	1,180,000
<i>Net book value</i>	
At 31 March 2009 and at 31 March 2010	<u>550,799,140</u>

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 2010 £	31 March 2009 £
Group relief debtor	<u>22,179,205</u>	<u>19,026,456</u>

Notes (continued)

10 Creditors

	31 March 2010 £	31 March 2009 £
Amounts falling due within one year		
Amounts due to group undertakings	187,540,178	176,280,357
Amounts falling due after one year		
Amounts due to group undertakings	300,000,000	300,000,000

11 Called up share capital

	31 March 2010 £	31 March 2009 £
Authorised:		
23,789,136 (15 month period ended 31 March 2009 23,789,136) ordinary shares of £1 each	23,789,136	23,789,136
Allotted, called up and fully paid:		
23,789,136 (15 month period ended 31 March 2009 23,789,136) ordinary shares of £1 each	23,789,136	23,789,136

12 Reserve

	Share Premium Reserve £	Profit and Loss account £	Total £
Opening balance at 1 April 2009	108,448,006	(38,691,903)	69,756,103
Loss for the year	-	(8,107,072)	(8,107,072)
Closing balance at 31 March 2010	108,448,006	(46,798,975)	61,649,031

Notes (continued)

13 Reconciliation of movements in shareholders' funds

	31 March 2010 £	31 March 2009 £
Opening shareholders' funds	93,545,239	120,249,229
Loss for the year / period	(8,107,072)	(26,703,990)
Closing shareholders' funds	85,438,167	93,545,239

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.