

CPC ENTERTAINMENT LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2008

Registered Number: 02811158

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CPC ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008

The directors present their report and the audited financial statements of the company for the year to 31 March 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activity in the year was to provide funding to group companies.

The results for the year are included on page 5 of the financial statements. The profit for the year after taxation amounted to £30.4 million (2007: £10.4 million).

During the year no dividends were paid (2007: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks and uncertainties affecting the company are considered to relate to the exposure to movements in foreign currencies, as certain of the amounts receivable from group undertakings are denominated in Euros, and to the recoverability of the loans due from group undertakings.

KEY PERFORMANCE INDICATORS

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

DIRECTORS

The names of the directors who served during the year to the date of this report are as follows:

K Halby
S Kober
S Fahy

The Company Secretary during the period was Abogado Nominees Limited.

CPC ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors 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 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, 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

AUDITORS

The auditors PricewaterhouseCoopers LLP have expressed their willingness to continue in office.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

CPC ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008 (CONTINUED)

ANNUAL GENERAL MEETING

In accordance with section 252 (1) of the Companies Act 1985, the company has passed a resolution electing to dispense with the obligation to lay accounts and reports before the company in a general meeting. In accordance with section 366A (1) of the Companies Act 1985, the company has passed a resolution electing to dispense with the obligation to hold annual general meetings.

On behalf of the Board



S Fahy
Director

Date: 22 January 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CPC ENTERTAINMENT LIMITED

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans AL1 3JX
Telephone +44 (0) 1727 844155
Facsimile +44 (0) 1727 845039

We have audited the financial statements of CPC Entertainment Limited for the year ended 31 March 2008 which comprise 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

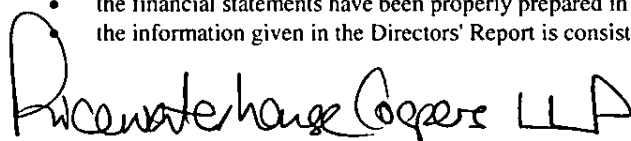
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 as at 31 March 2008 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Date: 27 January 2009

CPC ENTERTAINMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £'000	2007 £'000
OPERATING PROFIT/ (LOSS)	3	15,802	(7,569)
Interest receivable from group undertaking	4	27,892	22,600
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		43,694	15,031
Tax on profit on ordinary activities	5	(13,284)	(4,671)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		30,410	10,360
RETAINED PROFIT BROUGHT FORWARD	10	95,182	84,822
RETAINED PROFIT CARRIED FORWARD	10	125,592	95,182

The results for the financial year include all recognised gains and losses and are wholly attributable to the continuing operations of the company.

The notes on pages 7 to 11 form part of these financial statements.

CPC ENTERTAINMENT LIMITED

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008 £'000	2007 £'000
CURRENT ASSETS			
Debtors (amounts receivable within one year)	6	433,741	410,319
Debtors (amounts receivable after more than one year)	6	106,476	86,511
		540,217	496,830
CREDITORS (amounts falling due within one year)	7	(68,900)	(55,542)
NET CURRENT ASSETS		471,317	441,288
PROVISIONS FOR LIABILITIES AND CHARGES	8	(1,141)	(1,522)
NET ASSETS		470,176	439,766
CAPITAL AND RESERVES			
Called up share capital	9	28,715	28,715
Share premium account	10	315,869	315,869
Profit and loss account	10	125,592	95,182
TOTAL SHAREHOLDERS' FUNDS	11	470,176	439,766

Signed for and on behalf of the Board:



S Fahy
Director

Date: 22 January 2009

The notes on pages 7 to 11 form part of these financial statements.

CPC ENTERTAINMENT LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 MARCH 2008

1 ACCOUNTING POLICIES

The accounts are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention and on a going concern basis. The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the company's accounts.

(a) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Differences arising on the retranslation of amounts expressed in foreign currencies are recognised in the profit and loss account.

(b) Taxation

The charge for taxation is based on the charge for the financial year, as adjusted for disallowable items. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

(c) Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 (revised 1996) not to publish a cash flow statement as its ultimate parent company, Sony Corporation, has prepared consolidated financial statements which include a consolidated cash flow statement.

(d) Related party disclosures

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Sony Group.

CPC ENTERTAINMENT LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 MARCH 2008 (continued)

2 DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments in respect of their services to CPC Entertainment Limited (2007: £nil). The company had no employees during the year (2007: no employees).

3 OPERATING PROFIT

	2008	2007
	£'000	£'000
The operating profit is stated after charging/(crediting):		
Auditors remuneration – audit services	4	4
Foreign exchange (gain)/ loss	(15,806)	7,565

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	£'000	£'000
Interest on loans to group undertakings	27,892	22,600

CPC ENTERTAINMENT LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 MARCH 2008 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
(a) Analysis of charge in year		
Current tax		
UK Corporation tax charge at 30% (2007: 30%)	13,292	4,671
Adjustments in respect of prior years	61	-
Total current tax (note 5(b))	13,353	4,671
Deferred tax		
Origination and reversal of timing differences	(69)	-
Total deferred tax (note 8)	(69)	-
Tax charge on profit on ordinary activities	13,284	4,671
(b) Factors affecting tax charge for the year		
The differences between the tax charge for the year and that expected at the standard rate of corporation tax in the UK (30%) are explained below:		
Profit on ordinary activities before tax	43,694	15,031
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	13,108	4,509
Effects of:-		
UK to UK transfer pricing adjustment	184	162
Adjustments in respect of prior years	61	-
Current tax charge for the year (note 5(a))	13,353	4,671

The 2007 Finance Act introduced legislation to reduce the rate of corporation tax in the UK to 28%. The Finance Act was substantially enacted in June 2007. The effect of this rate reduction on the deferred tax liability at the balance sheet date is a reduction of £69,000.

6 DEBTORS

	2008 £'000	2007 £'000
Amounts receivable within one year		
Amounts owed by group undertakings	433,741	410,319
Amounts receivable after more than one year		
Amounts owed by group undertakings	106,476	86,511

CPC ENTERTAINMENT LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 MARCH 2008 (continued)

7 CREDITORS (amounts falling due within one year)

	2008 £'000	2007 £'000
Amounts owed to group undertakings – group relief	68,867	55,514
Other creditors	33	28
	<u>68,900</u>	<u>55,542</u>

8 PROVISIONS FOR LIABILITIES AND CHARGES – DEFERRED TAXATION

	2008 £'000	2007 £'000
Deferred tax liability – other timing differences	(1,141)	(1,522)
At 1 April 2007	(1,522)	(1,522)
Charged to the profit and loss account (Note 5)	69	-
Foreign exchange movements	312	-
At 31 March 2008	<u>(1,141)</u>	<u>(1,522)</u>

The deferred tax provision is in respect of timing differences and represents the full potential liability.

9 SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised: 500 million ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid: 28,715,368 Ordinary shares of £1 each	28,715	28,715

CPC ENTERTAINMENT LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 MARCH 2008 (continued)

10 RESERVES

	Share premium £'000	Profit and loss account £'000
At 31 March 2007	315,869	95,182
Profit for the financial year	-	30,410
At 31 March 2008	315,869	125,592

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Retained profit for the year	30,410	10,360
Opening shareholders' funds	439,766	429,406
Closing shareholders' funds	470,176	439,766

12 ULTIMATE HOLDING COMPANY

The ultimate holding company at 31 March 2008 was Sony Corporation, a company incorporated in Japan.

The immediate parent undertaking is SCA Music Holdings (formerly Sony Music Entertainment Holdings). The smallest and largest group for which group accounts have been prepared, and of which the company is a subsidiary, is Sony Corporation, a company incorporated in Japan. Copies of the consolidated financial statements of Sony Corporation can be obtained from Sony Entertainment Holdings Europe Limited, 100 New Bridge Street, London EC4V 6JA.