Sony Music Entertainment International Limited

Annual report and financial statements
Registered number 2019657
31 March 2016

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2016.

Principal activities and review of business

Sony Music Entertainment International Limited ("the company") is an investment holding company. It provides high level consultancy services and advice in the areas of management, marketing, production, export, copyright, financing and other commercial and industrial areas to the Sony Music Entertainment companies operating within the music and entertainment industry in Europe, Africa, Asia, Australasia and Latin America. Its principal activities also include the production and exploitation of musical recordings.

Directors

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

Edgar Berger
Stuart Levene
William Rowe
Bert Schorer
Julie Swidler

In accordance with articles 112, 113 and 117 of the Company's Articles of Association, all the directors, save for the Chairman are required to retire at annual general meetings. Notwithstanding, this the company has dispensed with the requirement to hold annual general meetings.

Financial risk management

The company is exposed to various financial risks that arise as a normal part of its trading activities. The main such risks are considered to be foreign exchange risk, credit risk and liquidity risk.

Market risk – Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euros and US Dollars. Management monitor exchange rate movements closely and ensure adequate funds are maintained in appropriate currencies to meet known foreign currency liabilities.

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment. The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Liquidity risk

Management monitors rolling forecasts of the company's cash flow requirements and maintains committed credit facilities to cover its expected needs.

Employees

The company is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of sex, race, national origin, religion, colour, disability, sexual orientation, age or marital status.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its continuing success.

The company encourages the involvement of employees by means of company and team meetings, internal communications and opinion surveys.

Directors' report *(continued)*

Employees *(continued)*

Employee development and discretionary bonus schemes are also in operation for all staff to develop their understanding of the business' performance and encourage further contribution to the business.

Post balance sheet date events

On 20 July 2016, the directors undertook a capital restructure of the company in order to convert existing share premium into distributable reserves. Subsequently, on 22 July 2016, dividends of £30.2m were paid from the company to its parent, Sony Music Entertainment UK Holdings Limited.

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 director to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Report Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)."

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 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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 the 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.

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 themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Company Secretary

S Jenkins acted as company secretary throughout the year.

Charitable donations

Charitable donations for the year amounted to £nil *(2015: £20,000).*

Directors' report *(continued)*

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf on 19 December 2016 by

William Rowe
Director

Strategic Report

Strategic report for the year ended 31 March 2016

The directors present their strategic report for the year ended 31 March 2016.

Business Review

Results

The company's turnover during the year ended 31 March 2016 was £32,094,000 *(2015: £22,512,000)* and operating loss was £1,206,000 *(2015: loss of £3,076,000).*

The company made a profit on ordinary activities before taxation of £20,119,000 *(2015: £2,805,000 loss).*

The company made a total comprehensive profit for the financial year of £20,327,000 *(2015: £3,008,000 loss).* The directors do not recommend the payment of a dividend *(2015: £nil).*

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 (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.

Approved by the Board and signed on its behalf on 19 December 2016 by

William Rowe
Director

Independent auditors' report to the members of Sony Music Entertainment International Limited

Report on the financial statements

Our opinion

In our opinion, Sony Music Entertainment International Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit 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.

What we have audited

The financial statements, included with the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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

Other matters on which we are required to report by exception *(continued)*

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
20 December 2016

Statement of comprehensive income

for the year ended 31 March 2016

	Note	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Turnover	*5*	**32,094**	22,512
Cost of sales		**(3,626)**	(3,334)
Gross profit		**28,468**	19,178
Distribution costs		**(1,645)**	(5,093)
Administrative expenses	*6*	**(28,029)**	(17,161)
Operating loss	*7*	**(1,206)**	(3,076)
Amounts written off investments	*12*	**(1,400)**	-
Reversal of prior year impairment losses	*12*	**22,729**	-
Income from shares in group undertakings	*7*	**-**	271
Interest payable and similar charges	*9*	**(4)**	-
Profit / (loss) on ordinary activities before taxation		**20,119**	(2,805)
Tax credit / (charge) on loss on ordinary activities	*10*	**208**	(203)
Total comprehensive profit / (loss) for the financial year		**20,327**	(3,008)

The notes on pages 10 to 22 form part of these financial statements.

There was no other comprehensive income for 2016 *(2015: £nil)*.

All amounts relate to continuing operations.

Balance sheet

As at 31 March 2016

Registered Number: 2019657

	Note	**31 March 2016 £000**	31 March 2015 £000
Fixed assets			
Tangible assets	*11*	**70**	78
Investments	*12*	**403,033**	267,852
		403,103	267,930
Current assets			
Debtors	*13*	**45,178**	38,146
Creditors: amounts falling due within one year	*14*	**(153,404)**	(31,526)
Net current (liabilities) / assets		**(108,226)**	6,620
Total assets less current liabilities		**294,877**	274,550
Net assets		**294,877**	274,550
Capital and reserves			
Called up share capital	*16*	**46,071**	46,071
Share premium account		**192,757**	192,757
Other reserves		**86,648**	86,648
Accumulated losses		**(30,599)**	(50,926)
Total shareholders' funds		**294,877**	274,550

The notes on pages 10 to 22 form part of these financial statements.

The financial statements on pages 7 to 22 were approved by the Board of Directors on 19 December 2016 and signed on its behalf by

William Rowe
Director

Statement of changes in equity

for the year ended 31 March 2016

	Called up share capital £000	Share premium account £000	Other Reserves £000	Accumulated losses £000	Total shareholders' funds £000
Balance as at 1 April 2014	46,071	192,757	86,648	(47,918)	277,558
Total comprehensive loss for the financial year	-	-	-	(3,008)	(3,008)
Balance as at 31 March 2015	46,071	192,757	86,648	(50,926)	274,550
Balance as at 1 April 2015	46,071	192,757	86,648	(50,926)	274,550
Total comprehensive profit for the financial year	-	-	-	20,327	20,327
Balance as at 31 March 2016	**46,071**	**192,757**	**86,648**	**(30,599)**	**294,877**

The notes on pages 10 to 22 form part of these financial statements.

Notes to the financial statements

(forming part of the financial statements)

1 General information

Sony Music Entertainment International Limited ('the company') is an investment holding company and has the principal activities of providing high level consultancy services and advice in the areas of management, marketing, production, export, copyright, financing and other commercial and industrial areas to the Sony Music Entertainment companies operating within the music and entertainment industry in Europe, Africa, Asia, Australasia and Latin America as well as the production and exploitation of musical recordings.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is 9 Derry Street, London, W8 5HY.

2 Statement of compliance

The individual financial statements of Sony Music Entertainment International Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 21.

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- The requirements of Section 4 Statement of Financial Positions paragraph 4.12(a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sony Corporation as at 31 March 2016 and these financial statements may be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

Going concern

The nature of the business is primarily investment in Sony Music Entertainment subsidiaries across Europe. The Directors are satisfied these investments will provide sufficient income in the future and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Investments - company

(i) Investment in subsidiary company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(ii) Investment in associate

Investment in an associate is held at cost less accumulated impairment losses.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Land & buildings

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

(ii) Office and computer equipment, fixtures & fittings

Office and computer equipment, fixtures & fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Leasehold improvements	-	shorter of useful life / term of lease
Computer equipment	-	33.3%
Office equipment	-	20%
Furniture and Fixtures & Fittings	-	14.3%

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Tangible assets (continued)

(iv) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

(v) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses) / gains'.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positons taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currencies

(i) Functional and presentational currency

The company's functional and presentation currency is the Pound Sterling.

(ii) Transactions and balances

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Turnover

Turnover represents royalty income receivable and amounts, excluding value added tax, recharged to group companies to which consultancy services and advice are provided and is recognised as the service is performed.

Royalties

Royalty income is included on a receivable basis calculated on sales of goods arising during each accounting year as reported by licensees. Royalties payable are expensed on an accruals basis except when they are carried forward and recognised as an asset where such advances relate to current released and unreleased products and where it is estimated that sufficient future royalties will be earned for recoupment from those products. Advances for overseas licences received in respect of individual albums are carried forward and recognised as income over the expected life of each individual licence. If recovery is made in subsequent years of advances previously written off, recoupment is reflected as a credit within cost of sales.

Pensions

The company participates in the Sony Music Entertainment UK Pension Plan, a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reliable basis so accounts for the scheme on a defined contribution basis. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary share or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors have concluded that the only material judgements made during the preparation of the financial statements have been the determination of the carrying values of the investments.

Notes to the financial statements *(continued)*

5 Turnover

The turnover for the year is attributable to the principal activities of the company.

A geographical analysis of turnover is shown below:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Geographical split of turnover by destination:		
United Kingdom	**4,346**	4,316
Rest of World	**27,748**	18,196
	32,094	22,512

6 Administrative expenses

Administrative expenses consist of third party legal and consultancy costs together with salary costs borne by the company necessary to provide the services to Sony Music Entertainment operating companies within the music industry in Europe, Africa, Asia, Australasia and Latin America as well as to produce and exploit musical recordings.

7 Operating loss

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Operating loss is stated after charging/ (crediting):		
Audit fees payable to the company's auditor	**16**	16
Depreciation of owned fixed assets	**22**	23
Staff costs	**16,931**	12,389
Exchange losses / (gains)	**2,060**	(2,209)

8 Employees and directors

Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	Year ended 31 March 2016 No.	Year ended 31 March 2015 No.
Administration	**95**	83

Notes to the financial statements *(continued)*

8 Employees and directors *(continued)*

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Wages and salaries	**14,680**	10,973
Social security costs	**1,374**	796
Other pension costs (note 17)	**877**	620
	16,931	12,389

Directors

The directors received emoluments from the company for their services. Their total emoluments charged in the financial statements of the company were as follows:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Aggregate emoluments	**4,402**	4,175
Pension scheme contributions	**17**	17
	4,419	4,192

The total emoluments, including pension contributions of £nil *(2015: £nil)*, of the highest paid director were £3,514,003 *(2015: £3,298,079)*.

9 Interest payable and similar charges

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Interest payable - other	**4**	-
	4	-

Notes to the financial statements *(continued)*

10 Tax on profit / (loss) on ordinary activities

(a) Tax (credit) / charge included in profit or loss:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Current tax		
United Kingdom		
Corporation tax at 20% *(2015: 21%)*	**(243)**	134
	(243)	134
Foreign tax suffered	**-**	39
Total current tax (credit) / charge	**(243)**	173
Deferred tax		
Origination and reversal of timing differences	**18**	30
Effect of tax rate change on opening balance	**17**	-
Total deferred tax charge	**35**	30
Tax (credit) / charge on loss on ordinary activities	**(208)**	203

(b) Reconciliation of tax charge:

The tax assessed for the year is higher *(2015: higher)* than the standard rate of corporation tax in the UK of 20% *(2015: 21%)* applied to the pre-tax profit of the company. The differences are explained below:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit / (loss) on ordinary activities before tax	**20,119**	(2,805)
Profit / (loss) on ordinary activities multiplied by standard effective rate of corporation tax in the UK of 20% *(2015: 21%)*	**4,024**	(589)
Effects of:		
Expenses not deductible for tax purposes	**298**	809
Income not taxable for tax purposes	**(4,546)**	(57)
Foreign tax suffered	**-**	39
Effect of tax rate change on opening balance	**16**	-
Fixed asset differences	**2**	2
Deferred tax – rate adjustment	**(2)**	(1)
Total current tax (credit) / charge	**(208)**	203

Notes to the financial statements *(continued)*

10 Tax on profit / (loss) on ordinary activities *(continued)*

(c) Tax rate changes:

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK Corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020. As the change has not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

11 Tangible assets

	Leasehold improvements £000	Computer equipment £000	Office equipment £000	Furniture and fittings £000	Total £000
Cost					
At 1 April 2015	113	403	70	20	606
Additions	-	14	-	-	14
At 31 March 2016	**113**	**417**	**70**	**20**	**620**
Accumulated depreciation					
At 1 April 2015	55	403	50	20	528
Charged in the year	13	3	6	-	22
At 31 March 2016	**68**	**406**	**56**	**20**	**550**
Net book value					
At 31 March 2016	**45**	**11**	**14**	**-**	**70**
At 31 March 2015	58	-	20	-	78

Notes to the financial statements *(continued)*

12 Investments

	Market investments £000	Associate undertakings £000	Subsidiary undertakings £000	Total £000
Cost				
At 1 April 2015	10,187	1,048	422,353	433,588
Additions	-	-	113,852	113,852
Disposals	-	(1,048)	-	(1,048)
At 31 March 2016	**10,187**	**-**	**536,205**	**546,392**
Provisions for impairment				
At 1 April 2015	-	1,048	164,688	165,736
Impairment	-	-	1,400	1,400
Disposals	-	(1,048)	-	(1,048)
Reversal of prior year impairment losses	-	-	(22,729)	(22,729)
At 31 March 2016	**-**	**-**	**143,359**	**143,359**
Net book value				
At 31 March 2016	**10,187**	**-**	**392,846**	**403,033**
At 31 March 2015	10,187	-	257,665	267,852

Investments in subsidiary undertakings

The directors believe that the remaining carrying value of the investments is supported by their underlying business and assets. During the year ended 31 March 2016, the company made an additional provision against its investment in subsidiaries. The reason for this impairment was to write down the investment to its net book value.

During the year ended 31 March 2016, the directors have recognised a £22,729,000 reversal of prior year impairment losses on the company's investments in Sony Music Entertainment Austria GmbH, Sony Music Entertainment Germany GmbH, Sony Music Entertainment Switzerland GmbH, Sony Music Entertainment France SAS and Sony Music Entertainment Sweden AB to the extent that the revised carrying amounts have not exceeded the carrying amounts that would have been determined (net of depreciation or amortisation) had no impairment losses been recognised in prior periods. The reversal of prior year impairment losses has therefore been recognised in the profit and loss account.

On 29 March 2016, the company acquired Sony Deutschland GmbH for £107,464,619 and Sony Music Entertainment International Services GmbH for £1,359,465.

The shares in Duzy Dom Dystrybucyjny Sp. Z.O.O., which have been impaired to a nil value, were donated to a third party.

The company made additional capital contributions to SME Turkey and SME Finland totalling £5,027,868 during the year.

Notes to the financial statements *(continued)*

12 Investments *(continued)*

The company has the following principal subsidiary undertakings, associated undertakings and market investments.

Name of company	Country of incorporation	Class and percentage shares held
Direct Related Undertakings		
Sony Music Entertainment Austria GmbH	Austria	100% ordinary share capital
Sony Music Entertainment Belgium N.V.	Belgium	99% ordinary share capital
Sony Music Entertainment Czech Republic Sro	Czech Republic	80% ordinary share capital
Sony Music Entertainment Denmark AS	Denmark	100% ordinary share capital
Sony Music Entertainment Finland OY	Finland	100% ordinary share capital
Sony Music Entertainment Germany GmbH	Germany	100% ordinary share capital
Sony Music Entertainment Greece S.A.	Greece	99.99% ordinary share capital
Sony Music Entertainment Hungary KFT	Hungary	100% ordinary share capital
Sony Music Entertainment Italy SPA	Italy	100% ordinary share capital
Sony Music Entertainment Norway AS	Norway	100% ordinary share capital
Sony Music Entertainment Poland Sp. Z.O.O.	Poland	100% ordinary share capital
Sony Music Entertainment Portugal LDA	Portugal	100% ordinary share capital
Sony Music Entertainment Sweden AB	Sweden	100% ordinary share capital
Sony Music Entertainment Switzerland GmbH	Switzerland	100% ordinary share capital
Sony Music Entertainment Turkey AS	Turkey	99.96% ordinary share capital
Sony Music Entertainment France SAS	France	100% ordinary share capital
Sony Music Entertainment Taiwan	Taiwan	100% ordinary share capital
Sony Music Entertainment International Services GmbH	Germany	100% ordinary share capital
Sony Deutschland GmbH	Germany	100% ordinary share capital
Indirect Related Undertakings		
(a) Sony Music Entertainment Denmark AS (100%) subsidiaries		
Disco: wax	Denmark	48% ordinary share capital
Mermaid Records ApS	Denmark	51% ordinary share capital
(b) Sony Music Entertainment Finland OY (100%) subsidiaries		
A-Duuri OY (20%)	Finland	20% ordinary share capital
Auraviihde OY (100%)	Finland	100% ordinary share capital
Sonic Live OY (100%)	Finland	100% ordinary share capital
Sakara-Tuotanto Oy (39%)	Finland	39% ordinary share capital
(c) Sony Music Entertainment Germany GmbH (100%) subsidiaries		
105 Music GmbH	Germany	100% ordinary share capital
B1 Recordings GmbH	Germany	51% ordinary share capital
Bucardo Kunst- und Kulturproduktionen GmbH	Germany	100% ordinary share capital
DEAG Classics AG	Germany	49% ordinary share capital
Four Music Productions GmbH	Germany	100% ordinary share capital
Gold Entertainment GmbH	Germany	50% ordinary share capital
Hansa Music Entertainment GmbH	Germany	100% ordinary share capital
MEDIA KULTUR KÖLN Projektentwicklungs- und Veranstaltungs GmbH	Germany	30% ordinary share capital
New Talents AG	Germany	100% ordinary share capital
Sony Music Entertainment International Services GmbH	Germany	100% ordinary share capital
(d) Sony Music Entertainment Italy SPA (100%) subsidiaries		
Heinz Music SRL	Italy	50% ordinary share capital

Notes to the financial statements *(continued)*

12 Investments *(continued)*

Indirect Related Undertakings *(continued)*

(e) Sony Music Entertainment Norway AS (100%) subsidiaries		
Feelgood Scene Film og TV AS	Norway	51% ordinary share capital
(f) Sony Music Entertainment Sweden AB (100%) subsidiaries		
EVA Records HB	Sweden	25% ordinary share capital
Family Tree Music AB	Sweden	51% ordinary share capital
(g) Sony Music Entertainment Switzerland GmbH (100%) subsidiaries		
Phononet AG	Switzerland	33.33% ordinary share capital
(h) Sony Music Entertainment Taiwan (100%) subsidiaries		
Cosmo Music Co. Ltd.	Taiwan	100% ordinary share capital
(i) Sony Music Entertainment France SAS (100% subsidiaries)		
AVREP SA	France	98.8% ordinary share capital
Les Vergers SAS	France	100% ordinary share capital
Arachnee Productions SAS	France	100% ordinary share capital
Sa Majeste Productions SAS	France	67% ordinary share capital
Un Plan Simple SAS	France	20.13% ordinary share capital
WATI B SAS	France	30% ordinary share capital
WATI B PROD SAS	France	30% ordinary share capital
WLG SAS	France	33.33% ordinary share capital

13 Debtors

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year:		
Royalty advances	**1,928**	-
Trade debtors	**4,537**	2,718
Amounts owed by group undertakings	**26,959**	32,108
Other debtors	**4,506**	1,984
Prepayments and accrued income	**7,115**	1,168
	45,045	37,978
Amounts falling due after more than one year:		
Deferred tax asset (see note 15)	**133**	168
	45,178	38,146

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements *(continued)*

14 Creditors: amounts falling due within one year

	31 March 2016 £000	31 March 2015 £000
Trade creditors	8	-
Amounts owed to group undertakings	141,406	17,217
Group relief payable	671	1,487
Other creditors	4	-
Taxation and social security	108	86
Accruals and deferred income	11,207	12,736
	153,404	31,526

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Deferred taxation

	31 March 2016 £000	31 March 2015 £000
Accelerated capital allowances	130	164
Other short term timing differences	3	4
Undiscounted deferred tax asset	133	168

The movement on deferred tax is as follows:

	31 March 2016 £000	31 March 2015 £000
Asset at start of year	168	198
Deferred tax credit in profit and loss account	(35)	(30)
Asset at end of year	133	168

16 Called up share capital

	31 March 2016 £000	31 March 2015 £000
Allotted, called up and fully paid		
46,071,166 *(2015: 46,071,166)* ordinary shares of £1 each	46,071	46,071

Notes to the financial statements *(continued)*

17 Pensions

The company participates in the Sony Music Entertainment UK Pension Plan, a defined benefit pension scheme. The directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and accounts for the scheme on a defined contribution basis.

The assets of the pension plan are held separately from the assets of any group company. The latest actuarial valuation of the plan was carried out as at year ended 31 March 2016. Details of this valuation are included in the financial statements of Sony Music Entertainment UK Limited.

The total cost of pension benefits for all schemes, charged to the profit and loss account, amounted to £877,000 *(2015: £620,000)*.

18 Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group. The company has no other related party transactions.

19 Controlling parties

The company's immediate holding company is Sony Music Entertainment UK Holdings Limited, a company incorporated in England and Wales. 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 the Sony Corporation financial statements can be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

20 Post balance sheet date events

On 20 July 2016, the directors undertook a capital restructure of the company in order to convert existing share premium into distributable reserves. Subsequently, on 22 July 2016, dividends of £30.2m were paid from the company to its parent, Sony Music Entertainment UK Holdings Limited.

21 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements for the year ended 31 March 2015 were prepared under UK GAAP and the date of transition to FRS 102 was 1 April 2014.

The policies applied under UK GAAP are not materially different to FRS 102 and have not impacted on equity or profit or loss, therefore no year on year reconciliation between the two accounting frameworks has been provided.