

# **Sony Music Entertainment International Limited**

Annual report and financial statements

Registered number 2019657

31 March 2017

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## Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2017.

### 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.

### Dividends

Dividends of £30,228,213 and £1,560,727 were declared and paid by the company to its parent company Sony Music Entertainment UK Holdings Limited on 22 July 2016 and 22 March 2017 respectively (2016: *£nil*).

No dividends have been paid or proposed by the Directors since the balance sheet date.

### 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 (resigned 4 May 2017)  
Stuart Levene  
James Mullan (appointed 1 October 2017)  
William Rowe  
Bert Schorer (resigned 21 August 2017)  
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.

## **Directors' report** *(continued)*

### **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.

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.

### **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 Reporting 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.

## **Directors' report** *(continued)*

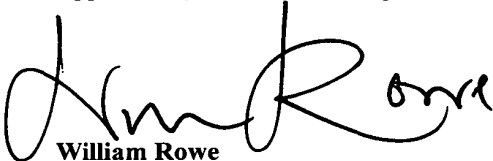
### **Charitable donations**

Charitable donations for the year amounted to £2,000 (2016: £nil).

### **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 30 November 2017 by



**William Rowe**  
*Director*

## Strategic Report

### Strategic report for the year ended 31 March 2017

The directors present their strategic report for the year ended 31 March 2017.

#### Business Review

##### *Results*

The company's turnover during the year ended 31 March 2017 was £36,361,000 (2016: £32,094,000) and operating profit was £13,000 (2016: loss of £1,206,000).

The company made a profit before taxation of £34,934,000 (2016: £20,119,000 profit).

The company made a total comprehensive profit for the financial year of £36,605,000 (2016: £20,327,000 profit). The company was in a net asset position of £299,692,000 (2016: £294,877,000) at 31 March 2017.

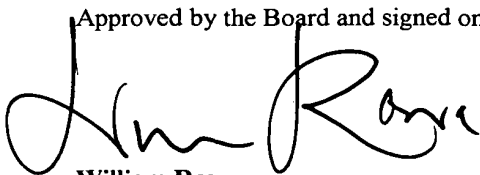
##### *Key risks, uncertainties, opportunities and future prospects*

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 30 November 2017 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 2017 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 2017;
- 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 FRS 102 "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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

### **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. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



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

30 November 2017



## Statement of comprehensive income

for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Turnover</b>	5	<b>36,361</b>	32,094
Cost of sales		(7,177)	(3,626)
<b>Gross profit</b>		<b>29,184</b>	28,468
Distribution costs		(2,435)	(1,645)
Administrative expenses	6	(26,736)	(28,029)
<b>Operating profit / (loss)</b>	7	<b>13</b>	(1,206)
Amounts written off investments	13	(7,202)	(1,400)
Reversal of prior year impairment losses	13	20,113	22,729
Income from shares in group undertakings	7	31,651	-
Interest receivable and similar income	9	5	-
Interest payable and similar expenses	10	(9,646)	(4)
<b>Profit before taxation</b>		<b>34,934</b>	20,119
Tax credit on profit	11	1,671	208
<b>Profit for the financial year</b>		<b>36,605</b>	20,327

The notes on pages 10 to 24 form part of these financial statements.

## Balance sheet

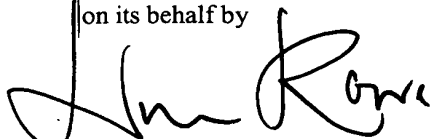
As at 31 March 2017

Registered Number: 2019657

	<i>Note</i>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Fixed assets</b>			
Tangible assets	12	10	70
Investments	13	415,692	403,033
		<hr/>	<hr/>
		415,702	403,103
<b>Current assets</b>			
Debtors	14	19,578	45,178
<b>Creditors: amounts falling due within one year</b>	15	(135,588)	(153,404)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(116,010)	(108,226)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		299,692	294,877
		<hr/>	<hr/>
<b>Net assets</b>		299,692	294,877
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	46,071	46,071
Share premium account		-	192,757
Other reserves		86,648	86,648
Retained earnings / (accumulated losses)		166,973	(30,599)
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		299,692	294,877
		<hr/>	<hr/>

The notes on pages 10 to 24 form part of these financial statements.

The financial statements on pages 7 to 24 were approved by the Board of Directors on 30 November 2017 and signed on its behalf by

  
William Rowe  
Director

## Statement of changes in equity

for the year ended 31 March 2017

	Called up share capital	Share premium account	Other Reserves	Retained earnings / (accumulated losses)	Total shareholders' funds
	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2015</b>	46,071	192,757	86,648	(50,926)	274,550
Total comprehensive profit for the financial year	-	-	-	20,327	20,327
<b>Balance as at 31 March 2016</b>	46,071	192,757	86,648	(30,599)	294,877
<b>Balance as at 1 April 2016</b>	46,071	192,757	86,648	(30,599)	294,877
Total comprehensive profit for the financial year	-	-	-	36,605	36,605
Reduction of capital	-	(192,757)	-	192,757	-
Dividends paid	-	-	-	(31,790)	(31,790)
<b>Balance as at 31 March 2017</b>	<b>46,071</b>	<b>-</b>	<b>86,648</b>	<b>166,973</b>	<b>299,692</b>

On 20 July 2016, in accordance with s641 of the Companies Act 2006, the directors of the company resolved to reduce the share premium account of the company by £192,756,848 from £192,756,848 to £nil crediting the distributable reserves of the company.

On 22 July 2016 and 22 March 2017, the directors of the company resolved to pay dividends of £30,228,213 and £1,560,727 respectively to its immediate parent company, Sony Music Entertainment UK Holdings Limited.

The notes on pages 10 to 24 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 applied FRS 102 in these financial statements.

#### ***Basis of preparation***

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with 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 2017 and these financial statements may be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075. The company is a wholly-owned subsidiary of Sony Music Entertainment Holdings UK Limited and is included in the consolidated financial statements of Sony Corporation which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

#### ***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 positions 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 2017 £000	Year ended 31 March 2016 £000
<i>Geographical split of turnover by destination:</i>		
United Kingdom	3,935	4,346
Rest of World	32,426	27,748
	<hr/> 36,361 <hr/>	<hr/> 32,094 <hr/>

### 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 profit / (loss)

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<i>Operating profit / (loss) is stated after charging/ (crediting):</i>		
Audit fees payable to the company's auditor	-	16
Depreciation of owned fixed assets	60	22
Staff costs	17,539	16,931
Exchange losses	1,983	2,060
	<hr/> 19,582 <hr/>	<hr/> 19,029 <hr/>

The auditors' remuneration of £16,000 in the current year has been borne by Sony Music Entertainment UK Limited, and not recharged to the company.

### 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 2017 No.	Year ended 31 March 2016 No.
Administration	104	95
	<hr/>	<hr/>



## 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 2017 £000	Year ended 31 March 2016 £000
Wages and salaries	15,863	14,680
Social security costs	1,158	1,374
Other pension costs (note 19)	518	877
	<hr/>	<hr/>
	17,539	16,931
	<hr/>	<hr/>

#### *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 2017 £000	Year ended 31 March 2016 £000
Aggregate emoluments	4,683	4,402
Pension scheme contributions	21	17
	<hr/>	<hr/>
	4,704	4,419
	<hr/>	<hr/>

The total emoluments, including pension contributions of £nil (2016: £nil), of the highest paid director were £3,749,540 (2016: £3,514,003).

### 9 Interest receivable and similar income

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Interest receivable - other	5	-
	<hr/>	<hr/>
	5	-
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 10 Interest payable and similar expenses

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Interest payable - other	475	4
Exchange losses	9,171	-
	<hr/>	<hr/>
	9,646	4
	<hr/>	<hr/>

### 11 Tax on profit

(a) Tax credit included in profit or loss:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Current tax</b>		
<i>United Kingdom</i>		
Corporation tax at 20% (2016: 20%)	(1,923)	(243)
Adjustments in respect of prior periods	221	-
	<hr/>	<hr/>
	(1,702)	(243)
Foreign tax suffered	5	-
	<hr/>	<hr/>
<b>Total current tax credit</b>	(1,697)	(243)
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination and reversal of timing differences	19	18
Effect of tax rate change on opening balance	7	17
	<hr/>	<hr/>
<b>Total deferred tax charge</b>	26	35
	<hr/>	<hr/>
<b>Tax credit on profit</b>	(1,671)	(208)
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 11 Tax on profit (continued)

#### (b) Reconciliation of tax credit:

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%) applied to the pre-tax profit of the company. The differences are explained below:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Profit before taxation</b>	<b>34,934</b>	<b>20,119</b>
Profit before taxation multiplied by standard effective rate of corporation tax in the UK of 20% (2016: 20%)	<b>6,987</b>	<b>4,024</b>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>1,462</b>	<b>298</b>
Income not taxable for tax purposes	<b>(10,353)</b>	<b>(4,546)</b>
Effect of tax rate change on opening balance	<b>-</b>	<b>16</b>
Foreign tax suffered	<b>5</b>	<b>-</b>
Fixed asset differences	<b>3</b>	<b>2</b>
Deferred tax – rate adjustment	<b>4</b>	<b>(2)</b>
Adjustments in respect of previous years	<b>221</b>	<b>-</b>
<b>Total tax credit for the period</b>	<b>(1,671)</b>	<b>(208)</b>

#### (c) Tax rate changes:

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020 was included in the Finance Act 2016 which received Royal Assent on 15 September 2016.

## Notes to the financial statements (continued)

### 12 Tangible assets

	Leasehold improvements £000	Computer equipment £000	Office equipment £000	Furniture and fittings £000	Total £000
<b>Cost</b>					
At 1 April 2016	113	417	70	20	620
Additions	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2017</b>	<b>113</b>	<b>417</b>	<b>70</b>	<b>20</b>	<b>620</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>					
At 1 April 2016	68	406	56	20	550
Charged in the year	45	1	14	-	60
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2017</b>	<b>113</b>	<b>407</b>	<b>70</b>	<b>20</b>	<b>610</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
<b>At 31 March 2017</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>10</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	45	11	14	-	70
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 13 Investments

	Market investments £000	Associate undertakings £000	Subsidiary undertakings £000	Total £000
<b>Cost</b>				
At 1 April 2016	10,187	-	536,205	546,392
Additions	-	-	1,284	1,284
Disposals	-	-	-	-
Revaluations	-	-	(1,536)	(1,536)
<b>At 31 March 2017</b>	<b>10,187</b>	<b>-</b>	<b>535,953</b>	<b>546,140</b>
<b>Provisions for impairment</b>				
At 1 April 2016	-	-	143,359	143,359
Impairment	-	-	7,202	7,202
Reversal of prior year impairment losses	-	-	(20,113)	(20,113)
<b>At 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>130,448</b>	<b>130,448</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>10,187</b>	<b>-</b>	<b>405,505</b>	<b>415,692</b>
At 31 March 2016	10,187	-	392,846	403,033

#### 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 2017, the company made additional provisions against its investment in subsidiaries. The reason for these impairments was to write down the investments to their net book value.

During the year ended 31 March 2017, the directors have recognised a £20,113,000 reversal of prior year impairment losses on the company's investments in Sony Music Entertainment Austria GmbH, Sony Music Entertainment Switzerland GmbH, Sony Music Entertainment France SAS and Sony Music Entertainment Italy SPA 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 years. The reversal of prior year impairment losses has therefore been recognised in the profit and loss account.

The company made additional capital contributions to SME Finland totalling £1,284,165 during the year.

## Notes to the financial statements (continued)

### 13 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	Registered office address
<b>Direct Related Undertakings</b>			
Sony Music Entertainment Austria GmbH	Austria	100% ordinary share capital	Mariahilfer Str. 77-79, 1060 Wien
Sony Music Entertainment Belgium N.V.	Belgium	99% ordinary share capital	Hooikaai 55, 1000 Brussels
Sony Music Entertainment Czech Republic Sro	Czech Republic	80% ordinary share capital	Palackeho 1, 110 00, Prague 1
Sony Music Entertainment Denmark AS	Denmark	100% ordinary share capital	Vognmagergade 7, 6 sal, 1120, Copenhagen K
Sony Music Entertainment Finland OY	Finland	100% ordinary share capital	Tallberginkatu 2 A, 00180 Helsinki
Sony Music Entertainment Germany GmbH	Germany	100% ordinary share capital	Balanstr. 73, Haus 31, 81541 München
Sony Music Entertainment Greece S.A.	Greece	99.99% ordinary share capital	Avenue Amarousiou-Halandriou 18-20, Marousi 15125 Athens
Sony Music Entertainment Hungary KFT	Hungary	100% ordinary share capital	Level u.4, H-1023 Budapest
Sony Music Entertainment Italy SPA	Italy	100% ordinary share capital	Via Amedei 9, 20123 Milano
Sony Music Entertainment Norway AS	Norway	100% ordinary share capital	Gjerdumsvei 10A, 0402 Oslo
Sony Music Entertainment Poland Sp. Z.O.O.	Poland	100% ordinary share capital	Ul. Choralna 14, 02-879 Warsaw
Sony Music Entertainment Portugal LDA	Portugal	100% ordinary share capital	Av. Torre de Belem, N 19, 1º DTO. 1400-342 Lisboa
Sony Music Entertainment Sweden AB	Sweden	100% ordinary share capital	Box 3187, SE 10363 Stockholm
Sony Music Entertainment Switzerland GmbH	Switzerland	100% ordinary share capital	Letzigraben 89, CH-8003 Zurich
Sony Music Entertainment Turkey AS	Turkey	99.96% ordinary share capital	Cumhuriyet Cad Pegasus Evi No:48/2B Elmadağ 34367 Istanbul
Sony Music Entertainment France SAS	France	100% ordinary share capital	52/54, rue de Chateaudun, 75009 Paris
BMG Taiwan	Taiwan	100% ordinary share capital	6F, No. 35, Lane 11, Kwang-Fu N. Road Taipei, Taiwan 10560
Sony Music Entertainment International Services GmbH *	Germany	100% ordinary share capital	Balanstr. 73, Haus 31, 81541 München
<b>Indirect Related Undertakings</b>			
<b>(a) Sony Music Entertainment Denmark AS (100%) subsidiaries</b>			
Disco: wax	Denmark	48% ordinary share capital	Vognmagergade 7, 6 sal, 1120, Copenhagen K
Mermaid Records ApS	Denmark	51% ordinary share capital	Vognmagergade 7, 6 sal, 1120, Copenhagen K
<b>(b) Sony Music Entertainment Finland OY (100%) subsidiaries</b>			
A-Duuri OY (20%)	Finland	20% ordinary share capital	Kaivokatu 14 B 2, 94100 Kemi
Auraviihde OY (100%)	Finland	100% ordinary share capital	Aurakatu 6, 20100 Turku
Sakara-Tuotanto OY (39%)	Finland	39% ordinary share capital	PB 799, 33010 Tampere

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

**13 Investments** *(continued)*

Name of company	Country of incorporation	Class and percentage shares held	Registered office address
<b>Indirect Related Undertakings</b> <i>(continued)</i>			
<b>(c) Sony Music Entertainment Germany GmbH (100%) subsidiaries</b>			
105 Music GmbH	Germany	100% ordinary share capital	Balanstr. 73, Haus 31, 81541 München
B1 Recordings GmbH	Germany	51% ordinary share capital	Balanstr. 73, Haus 31, 81541 München
Bucardo-Kunst und Kulturproduktionen GmbH	Germany	100% ordinary share capital	Pleistemühlenweg 194, 48157 Münster
DEAG Classics AG	Germany	49% ordinary share capital	Potsdamer Str. 58, 10785 Berlin
Four Music Productions GmbH	Germany	100% ordinary share capital	Schlegelstr. 26 B, 10115 Berlin
Gold Entertainment GmbH	Germany	50% ordinary share capital	Potsdamer Str. 58, 10785 Berlin
Hansa Music Entertainment GmbH	Germany	100% ordinary share capital	Schlegelstr. 26 B, 10115 Berlin
MEDIA KULTUR KÖLN Projektentwicklungs- und Veranstaltungen GmbH	Germany	30% ordinary share capital	Im Mediapark 7, 50670 Köln
New Talents AG	Germany	100% ordinary share capital	Balanstr. 73, Haus 31, 81541 München
<b>(d) Sony Music Entertainment Italy SPA (100%) subsidiaries</b>			
Heinz Music SRL	Italy	50% ordinary share capital	Rippa di Porta, Ticin 63/A-20 123 Milano
<b>(e) Sony Music Entertainment Norway AS (100%) subsidiaries</b>			
Feelgood Scene Film og TV AS	Norway	51% ordinary share capital	Gjerdrumsvei 10A, 0402 Oslo
<b>(f) Sony Music Entertainment Sweden AB (100%) subsidiaries</b>			
EVA Records HB	Sweden	25% ordinary share capital	Box 5164, 102 44 Stockholm
Family Tree Music AB	Sweden	100% ordinary share capital	Rådmansgatan 74, 113 60 Stockholm
<b>(g) Sony Music Entertainment Switzerland GmbH (100%) subsidiaries</b>			
Phononet AG	Switzerland	33.33% ordinary share capital	Baslerstrasse 30, CH-8048 Zurich
<b>(h) Sony Music Entertainment France SAS (100%) subsidiaries</b>			
AVREP SA	France	98.8% ordinary share capital	52/54, rue de Chateaudun, 75009 Paris
Les Vergers SAS	France	100% ordinary share capital	52/54, rue de Chateaudun, 75009 Paris
Sa Majeste Productions SAS	France	67% ordinary share capital	52/54, rue de Chateaudun, 75009 Paris
Un Plan Simple SAS	France	20.13% ordinary share capital	52/54, rue de Chateaudun, 75009 Paris
WATI B SAS	France	30% ordinary share capital	52/54, rue de Chateaudun, 75009 Paris
WLG SAS	France	33.33% ordinary share capital	173-175, rue due Faubourg Poissonnière, 75009 Paris

\* Following the company's acquisition of Sony Music Entertainment International Services GmbH and Sony Deutschland GmbH, the two companies were merged and consolidated into Sony Music Entertainment International Services GmbH. The effective date of the merger was retroactively applied to 1 January 2016.

## Notes to the financial statements (continued)

### 14 Debtors

	31 March 2017 £000	31 March 2016 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	655	4,537
Amounts owed by group undertakings	13,232	26,959
Other debtors	758	4,506
Royalty advances	668	1,928
Taxation and social security	19	-
Group relief debtor	1,913	-
Prepayments and accrued income	2,226	7,115
	<hr/>	<hr/>
	19,471	45,045
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset (see note 16)	107	133
	<hr/>	<hr/>
	19,578	45,178
	<hr/>	<hr/>

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

### 15 Creditors: amounts falling due within one year

	31 March 2017 £000	31 March 2016 £000
Trade creditors	-	8
Amounts owed to group undertakings	125,852	141,406
Royalties and licences	3,457	-
Group relief payable	-	671
Other creditors	43	4
Taxation and social security	-	108
Accruals and deferred income	6,236	11,207
	<hr/>	<hr/>
	135,588	153,404
	<hr/>	<hr/>

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



## Notes to the financial statements (continued)

### 16 Deferred taxation

	31 March 2017 £000	31 March 2016 £000
Accelerated capital allowances	31	130
Other short term timing differences	-	3
	<hr/>	<hr/>
<b>Undiscounted deferred tax asset</b>	<b>31</b>	<b>133</b>
	<hr/>	<hr/>
The movement on deferred tax is as follows:		
Asset at start of year	133	168
Deferred tax credit in profit and loss account	(26)	(35)
	<hr/>	<hr/>
<b>Asset at end of year</b>	<b>107</b>	<b>133</b>
	<hr/>	<hr/>

### 17 Called up share capital

	31 March 2017 £000	31 March 2016 £000
<i>Allotted, called up and fully paid</i>		
46,071,166 (2016: 46,071,166) ordinary shares of £1 each	46,071	46,071
	<hr/>	<hr/>

### 18 Dividends

Dividends of £30,228,213 and £1,560,727 were declared and paid by the company to its parent company Sony Music Entertainment UK Holdings Limited on 22 July 2016 and 22 March 2017 respectively.

No dividends have been paid or proposed by the Directors since the balance sheet date.

### 19 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 2017. 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 £518,000 (2016: £877,000).

### 20 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.

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

### **21 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.