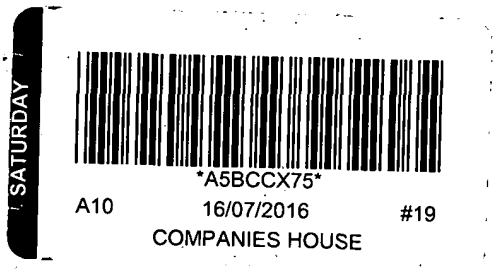
Registered number: 03592210

PIAS HOLDING (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



PIAS HOLDING (UK) LIMITED

COMPANY INFORMATION

Directors	K Gates N Hartley M Lambot
Company secretary	N Hartley
Registered number	03592210
Registered office	1 Bevington Path London SE1 3PW
Independent auditors	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Imperial House 18-21 Kings Park Road Southampton Hampshire SO15 2AT
Bankers	Coutts & Co 440 Strand London WC2R 0QS

PIAS HOLDING (UK) LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The directors present the strategic report for PIAS Holding (UK) Limited for the year ended 31 December 2015.

Principal Activity

The principal activities of the Group during the year was that of a record label and a seller and distributor of compact discs, records and music in digital format to retail and wholesale outlets.

Business Review

PIAS Holdings (UK) Limited acts as a managing and parent company so it is expected to generate enough turnover from Group companies to cover its costs. It is primarily expected to provide a service to the Group companies and subsequently recharge its costs of doing so appropriately. The consolidated accounts represent the performance of the company and all of its subsidiaries.

In a year where the UK physical market continues to decline, turnover is held up by the increasing popularity of vinyl, which while expensive to manufacture delivers high margins and distribution fees, particularly on niche projects. This offsets the delay in digital streaming services which continue to pick up in turnover and will dominate in next couple of years. [PIAS] has broadened its repertoire base into classical and jazz music with the purchase of Harmonia Mundi which taps into the under developed but expanding classical digital market place and promises strong margins in future periods.

The consolidated profit is £511k (£325k profit in 2014), the increase primarily due to a drop in administration expenses and distribution costs. The gross profit has decreased to £9,416k (£10,451k profit in 2014) due to an increase in cost of sales.

Total administration expenses and distribution costs have decreased year-on-year to £8,866k (£10,126k in 2014) despite an increase in turnover to £22,276k (£21,989k in 2014).

Net current liabilities have decreased to £19,852k (£20,524k in 2014) and Net liabilities have reduced to £16,942k (£17,447k in 2014).

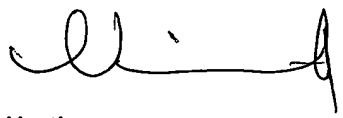
Principal Risks and Uncertainties

The Group's principal risks and uncertainties relate to the performance of the rest of its subsidiary and wider international group's activities; operating primarily in the sale, distribution and exploitation of music.

Key Performance Indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business, other than those disclosed above.

This report was approved by the board and signed on its behalf.



N Hartley
Director

Date: 8/7/16

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £511k *(2014 - £325k)*.

Directors

The directors who served during the year were:

K Gates
N Hartley
M Lambot

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, liquidity risk and interest rate risk. Given the size of the Group, the policies set out by the directors are implemented by the Group's finance department.

Price risk
The Group is exposed to price risk due to normal inflationary increases in the purchase price of goods and services. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Liquidity risk
Liquidity risk is managed through forecasting the Group's future cash flow requirements and maintaining sufficient cash reserves at Group level.

Interest rate risk
The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at variable rates.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and 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'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Directors' responsibilities statement (continued)

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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

N Hartley
Director

Date: 8/7/16

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIAS HOLDING (UK) LIMITED

We have audited the financial statements of PIAS Holding (UK) Limited for the year ended 31 December 2015, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, 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). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 and of the Group's 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.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PIAS HOLDING (UK) LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

Andrew Edmonds (Senior Statutory Auditor)

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

Imperial House
18-21 Kings Park Road
Southampton
Hampshire
SO15 2AT
Date: 12th July 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Turnover	3	**22,276**	*21,989*
Cost of sales		**(12,860)**	*(11,538)*
Gross profit		**9,416**	*10,451*
Distribution costs		**(4,384)**	*(4,518)*
Administrative expenses		**(4,482)**	*(5,609)*
Operating profit	4	**550**	*324*
Interest receivable and similar income	8	**3**	-
Interest payable and expenses	9	**(48)**	*(24)*
Profit before tax		**505**	*300*
Tax		**-**	-
Profit for the year and total comprehensive income		**505**	*300*
Profit/(loss) for the year attributable to:			
Non-controlling interest		**(6)**	*(25)*
Owners of the parent company		**511**	*325*
		505	*300*

The notes on pages 12 to 32 form part of these financial statements.

PIAS HOLDING (UK) LIMITED
REGISTERED NUMBER: 03592210

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note		2015 £000		*2014 £000*
Fixed assets					
Intangible assets	11		**1,928**		*2,071*
Tangible assets	13		**962**		*986*
Investments	14		**20**		*20*
			2,910		*3,077*
Current assets					
Stocks	15	**1,913**		*1,227*	
Debtors	16	**126,972**		*89,325*	
Cash at bank and in hand	17	**303**		*14*	
		129,188		*90,566*	
Creditors: amounts falling due within one year	18	**149,040**		*(111,090)*	
Net current liabilities			**(19,852)**		*(20,524)*
Total assets less current liabilities			**(16,942)**		*(17,447)*
Net liabilities			**(16,942)**		*(17,447)*
Capital and reserves					
Called up share capital	20		**2,500**		*2,500*
Other reserves	21		**17**		*17*
Profit and loss account	21		**(19,326)**		*(19,837)*
Equity attributable to owners of the parent Company			**(16,809)**		*(17,320)*
Non-controlling interests			**(133)**		*(127)*
			(16,942)		*(17,447)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

N Hartley
Director

Date: 8/7/16

The notes on pages 12 to 32 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note		2015 £000		*2014 £000*
Fixed assets					
Tangible assets	13		**952**		*987*
Investments	14		**159**		*159*
			1,111		*1,146*
Current assets					
Debtors	16	**15,449**		*11,972*	
Cash at bank and in hand	17	**1**		*1*	
		15,450		*11,973*	
Creditors: amounts falling due within one year	18	**(24,317)**		*(21,682)*	
Net current liabilities			**(8,867)**		*(9,709)*
Total assets less current liabilities			**(7,756)**		*(8,563)*
Net liabilities			**(7,756)**		*(8,563)*
Capital and reserves					
Called up share capital	20		**2,500**		*2,500*
Profit and loss account	21		**(10,256)**		*(11,063)*
			(7,756)		*(8,563)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

N Hartley
Director

Date: 8/7/16

The notes on pages 12 to 32 form part of these financial statements.

PIAS HOLDING (UK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Other reserves	Retained earnings	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2015	2,500	17	(19,837)	(17,320)	(127)	(17,447)
Comprehensive income for the year						
Profit/(loss) for the year	-	-	511	511	(6)	505
Total comprehensive income for the year	-	-	511	511	(6)	505
At 31 December 2015	2,500	17	(19,326)	(16,809)	(133)	(16,942)

PIAS HOLDING (UK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Other reserves	Retained earnings	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2014	2,500	17	(20,162)	(17,645)	(102)	(17,747)
Comprehensive income for the year						
Profit/(loss) for the year	-	-	325	325	(25)	300
Total comprehensive income for the year	-	-	325	325	(25)	300
At 31 December 2014	2,500	17	(19,837)	(17,320)	(127)	(17,447)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2015	2,500	(11,063)	(8,563)
Comprehensive income for the year			
Profit for the year	-	807	807
Total comprehensive income for the year	-	807	807
At 31 December 2015	2,500	(10,256)	(7,756)

	Share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2014	2,500	(11,603)	(9,103)
Comprehensive income for the year			
Profit for the year	-	540	540
Total comprehensive income for the year	-	540	540
At 31 December 2014	2,500	(11,063)	(8,563)

The notes on pages 12 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

PIAS Holding (UK) Limited is a private limited company incorporated in England and Wales under the Companies Act. The address of the registered office is 1 Bevington Path, London, SE1 3PW.

These financial statements are the first annual financial statements of the Company prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, in accordance with the Company's accounting policies. The first date at which FRS 102 was applied was 1 January 2014. In accordance with FRS 102 the Company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required; and
- applied certain optional exemptions and mandatory exemptions as applicable for first time adopters of FRS 102

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The Company has taken advantage of the following exemptions available under FRS 102:
- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel;
- the exemption from disclosing transactions with wholly owned members of the Group.

1.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

1. Accounting policies (continued)

1.3 Associates

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors' share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

Wall of Sound (Nordic) Limited remained dormant throughout the year.

The results of PIAS Productions Limited are immaterial after the Group has levied an appropriate management charge. Therefore they are not consolidated into these accounts.

1.4 Going concern

The group has net current liabilities of £19,852k (2014: £20,524k) and net liabilities of £16,942k (2014: £17,447k) as at 31 December 2015 and has made a profit of £505k (2014: £325k). The directors have prepared the financial statements on the going concern basis, which assumes that future incomes from artists will be sufficient to cover any advances to artists carried on the balance sheet.

The ability of the group to continue as a going concern is dependent on the ultimate parent company, LGS 2 SPRL, not requiring repayment of intercompany funds. The directors have obtained confirmation from LGS 2 SPRL that they will continue to support the group through its existing facilities.

After considering the support available from LGS 2 SPRL, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

1. Accounting policies (continued)

1.5 Revenue (continued)

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life of 10 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Amortisation is provided on the following bases:

Record catalogue intangibles	-	% 5% - 10% straight line
Artists' rights	-	% 10% straight line

1. Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	- 10-50% straight line.
Office equipment	- 10-33% straight line.
Computer equipment	- 20-33% straight line.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

1.8 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value and are shown net of provisions for slow moving and obsolete stocks. Costs include materials, costs of assembly, freight and duty costs. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion or disposal.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

1. Accounting policies (continued)

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.13 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at the initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short term bank deposits with original maturity of three months or less and bank overdrafts which are an integral part of the group's cash management.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, which changes in fair value recognised in the Income Statement.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

1.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1. Accounting policies (continued)

1.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

1.16 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

1. Accounting policies (continued)

1.18 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

1.19 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

1.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

1.21 Artists' advances

Unrecouped artists' advances are deferred in the accounting period unless it is considered by the directors that all of the advance will not be recouped from royalties arising from future sales at the year end. Artists' advances are reduced as a minimum by the higher of the net balance recouped and 10% of the net brought forward deferred advances plus additional advances made during the year.

1.22 Royalties payable

Royalties payable are recognised in the same period as the income to which they relate.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company are outlined below:

Bad debt provision

The trade debtors balance recorded in the Group balance sheet is reviewed for bad debts by management on a regular basis. Any bad debts discovered are provided for via a specific provision. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

Group balances

Directors make an assessment at each period end as to the recoverability of intercompany debts. This judgement is made based upon objective evidence as to whether the debtor is able to repay the debt.

Investments

Directors make an assessment at each period end as to the carrying value of investments in subsidiaries and associates, based on the realisable value of said investments. The carrying amount of investments at 31 December 2015 was £159k, and no impairment has been recognised against these investment balances in the year.

Goodwill - Impairment

Key estimates and judgements are applied in establishing the recoverable amount of goodwill at each reporting date, for the purposes of impairment testing. The carrying amount of goodwill at 31 December 2015 was £1,630k after amortisation of £1,443k. No impairment has been recognised against goodwill balances.

3. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2015 £000	2014 £000
Physical	7,475	7,622
Digital	9,925	9,065
Other	4,876	5,302
	22,276	21,989

Analysis of turnover by country of destination:

	2015 £000	2014 £000
United Kingdom	11,517	10,744
Rest of Europe	8,691	9,253
Rest of the world	2,068	1,991
	22,276	21,988

4. Operating profit

The operating profit is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets	363	437
Amortisation of intangible assets, including goodwill	394	426
Exchange differences	(66)	(679)
Defined contribution pension cost	97	59
Operating lease payments	206	552

5. Auditors' remuneration

	2015 £000	2014 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	61	45

Audit fees for the Company were £7k (2014: £6k).

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	4,279	3,578
Social security costs	441	356
Cost of defined contribution scheme	97	59
	4,817	3,993

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Management	3	3
Operations and administration	130	99
	133	102

7. Directors' remuneration

	2015 £000	2014 £000
Directors' emoluments	239	218
Company contributions to defined contribution pension schemes	16	16
	255	234

During the year retirement benefits were accruing to 1 director *(2014 - 1)* in respect of defined contribution pension schemes.

The highest paid director emoluments were £189k (2014: £172k).

The highest paid director pension's contribution was £16k (2014: 16k).

8. Interest receivable

	2015 £000	2014 £000
Interest receivable	3	-
	3	-

9. Interest payable and similar charges

	2015 £000	2014 £000
Bank overdraft interest payable	48	24
	48	24

10. Taxation

	2015 £000	2014 £000
UK corporate tax charge for the year	-	-
Total current tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2014 - lower than)* the standard rate of corporation tax in the UK of 20.25% *(2014 - 21.49%)*. The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	505	300
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	102	64
Effects of:		
Expenses not deductible for tax purposes	82	270
Depreciation in excess of capital allowances	3	85
Utilisation of tax losses	(184)	(416)
Short term timing difference leading to a decrease in taxation	(3)	(3)
Total tax charge for the year	-	-

Factors that may affect future tax charges

The Group had tax losses of £17,856k (2014: £18,801k) for offset against future taxable profit.

Finance (No. 2) Act 2015 includes legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance (No. 2) Bill 2016 includes proposed legislation to reduce the mainstream rate of corporation tax to 17% in April 2020.

11. Intangible assets

Group

	Record catalogue intangibles £000	Artists' rights £000	Goodwill £000	Total £000
Cost				
At 1 January 2015	**59**	**418**	**2,822**	**3,299**
Additions	**-**	**-**	**251**	**251**
At 31 December 2015	**59**	**418**	**3,073**	**3,550**
Amortisation				
At 1 January 2015	**41**	**79**	**1,108**	**1,228**
Charge for the year	**5**	**54**	**335**	**394**
At 31 December 2015	**46**	**133**	**1,443**	**1,622**
Net book value				
At 31 December 2015	**13**	**285**	**1,630**	**1,928**
At 31 December 2014	*18*	*339*	*1,714*	*2,071*

During the year PIAS UK Limited acquired Harmoni Mundi (UK) Limited resulting in an addition to goodwill of £251k. For full details see note 29.

12. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £807k *(2014 - profit of £540k)*.

13. Tangible fixed assets

Group

	Motor vehicles £000	Fixtures & fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 January 2015	-	427	119	2,137	2,683
Additions	-	14	27	283	324
Acquisition of subsidiary	2	-	2	11	15
At 31 December 2015	2	441	148	2,431	3,022
Depreciation					
At 1 January 2015	-	151	108	1,438	1,697
Charge owned for the period	1	42	9	311	363
At 31 December 2015	1	193	117	1,749	2,060
Net book value					
At 31 December 2015	1	248	31	682	962
At 31 December 2014	*-*	*276*	*11*	*699*	*986*

13. Tangible fixed assets (continued)

Company

	Fixtures & fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2015	**427**	**83**	**2,137**	**2,647**
Additions	**14**	**27**	**283**	**324**
At 31 December 2015	**441**	**110**	**2,420**	**2,971**
Depreciation				
At 1 January 2015	**151**	**71**	**1,438**	**1,660**
Charge owned for the period	**42**	**8**	**309**	**359**
At 31 December 2015	**193**	**79**	**1,747**	**2,019**
Net book value				
At 31 December 2015	**248**	**31**	**673**	**952**
At 31 December 2014	*276*	*12*	*699*	*987*

14 Fixed asset investments

Group

	Investments in associates £000
Cost or valuation	
At 1 January 2015	**20**
At 31 December 2015	**20**
Net book value	
At 31 December 2015	**20**
At 31 December 2014	*20*

Company

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost or valuation			
At 1 January 2015	**139**	**20**	**159**
At 31 December 2015	**139**	**20**	**159**
Net book value			
At 31 December 2015	**139**	**20**	**159**
At 31 December 2014	*139*	*20*	*159*

15. Stocks

	Group 2015 £000	*Group 2014 £000*	Company 2015 £000	*Company 2014 £000*
Finished goods and goods for resale	**1,913**	*1,227*	**-**	*-*
	1,913	*1,227*	**-**	*-*

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The Group recognised £285,515 of inventory in cost of sales during the year.

The stock balance is shown after impairment provision of £650k. The Group held consignment stock of £3,366k (2014: £1,529k).

16. Debtors

	Group 2015 £000	*Group 2014 £000*	Company 2015 £000	*Company 2014 £000*
Due within one year				
Trade debtors	**7,374**	*5,439*	**-**	*-*
Amounts owed by group undertakings	**107,713**	*75,636*	**15,036**	*11,529*
Other debtors	**8,888**	*5,507*	**48**	*16*
Prepayments and accrued income	**2,997**	*2,743*	**365**	*427*
	126,972	*89,325*	**15,449**	*11,972*

Other debtors due within one year includes £31k (2014: £7k) due from Kenneth Gates, a Director of the Company. Other debtors also includes £8k (2014: £8k) due from Nicholas Hartley, a Director of the Company.

17. Cash and cash equivalents

	Group 2015 £000	*Group 2014 £000*	Company 2015 £000	*Company 2014 £000*
Cash at bank and in hand	**303**	*14*	**1**	*1*
Less: bank overdrafts	**(1,464)**	*(1,000)*	**-**	*-*
	(1,161)	*(986)*	**1**	*1*

18. Creditors: Amounts falling due within one year

	Group 2015 £000	*Group 2014 £000*	Company 2015 £000	*Company 2014 £000*
Bank overdrafts	**1,464**	*1,000*	**-**	*-*
Trade creditors	**10,069**	*9,879*	**-**	*-*
Amounts owed to group companies	**125,477**	*90,248*	**24,104**	*21,533*
Corporation tax	**2**	*2*	**2**	*2*
Taxation and social security	**1,860**	*262*	**69**	*39*
Other creditors	**2,116**	*1,950*	**-**	*2*
Accruals and deferred income	**8,052**	*7,749*	**142**	*106*
	149,040	*111,090*	**24,317**	*21,682*

The bank overdraft in PIAS UK Limited is secured by the following:

- Mortgage debenture in bank's standard form dated 16 April 2002.
- Guarantee in the bank's standard form limited to £1,000,000 by PIAS Holding (UK) Limited dated 15 January 2003.
- Cross composite guarantee in the bank's standard form dated 18 June 2013 with PIAS Digital Limited.
- Postponement of members' loans totalling £1,000,000 dated 3 May 2002.

The bank liabilities relating to these guarantees as at 31 December 2015 amounted to £1,464k.

19. Financial instruments

The group's financial instruments comprise, cash and cash equivalents, bank borrowings and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the group's operations.

The group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk.

Credit risk
The group's credit risk is primarily attributable to its trade debtors. The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk
The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The group's financial liabilities (none of which are derivative financial liabilities) comprise trade creditors and bank borrowings which are measured at amortised cost. The bank borrowing is repayable on demand. The trade creditors are all payable within six months.

19. Financial instruments (continued)

Interest rate risk
The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The group has a policy of maintaining debt at fixed rates to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Foreign currency exchange rate risk
The group is exposed to foreign currency exchange rate risk as a result of trade debtors and creditors which will be settled in euros. The group has no material financial exposure to foreign exchange gains and losses on financial assets or liabilities at the year end and does not hedge any of its trading activities.

	Group 2015 £000	*Group 2014 £000*	**Company 2015 £000**	*Company 2014 £000*
Financial assets that are debt instruments measured at amortised cost	**127,275**	*89,339*	**15,450**	*11,973*
	127,275	*89,339*	**15,450**	*11,973*
Financial liabilities measured at amortised cost	**149,040**	*111,090*	**24,316**	*21,682*
	276,315	*111,090*	**24,316**	*21,682*

Financial assets that are debt instruments measured at amortised costs include cash, trade and other debtors and intercompany balances. Financial liabilities measured at amortised cost include trade and other creditors, and accruals and deferred income.

20. Share capital

	2015 £000	*2014 £000*
Allotted, called up and fully paid		
2,500,286 Ordinary shares of £1 each	**2,500**	*2,500*

21. Reserves

Other reserves

This reserve relates to the merger reserve.

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £93k (2014 - £59k). No contributions were outstanding at the balance sheet date.

23. Minority Interests

This represents the minority interest in Fat Cat Records Limited.

24. Commitments under operating leases

At 31 December 2015 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2015 £000	*Group 2014 £000*
Not later than 1 year	**190**	*185*
Later than 1 year and not later than 5 years	**59**	*229*
Total	**249**	*414*

25. Contingent liabilities

PIAS Holdings (UK) Limited has entered into a cross guarantee with PIAS UK Limited and Coutts & Co up to the value of £1,000,000. PIAS UK Limited's bank borrowing amounted to £1,464k (2014: £1,000) at 31 December 2015. The guarantee is dated 15 January 2003.

26. Related party transactions

The company has taken advantage of the exemption in FRS 102 section 33 from the requirement to disclose transactions with the parent company and fellow wholly owned group companies.

Group companies that do not fall under the exemption are disclosed as follows:

	Sub Notes	2015 £000	*2014 £000*
Debtor/(Creditor)			
FAT CAT Records Limited	**3**	**255**	*255*
PIAS DIGITAL Limited	**1**	**1,193**	-
PIAS FRANCE	**2**	**477**	*501*
PIAS PRODUCTIONS Limited	**1**	**-**	*101*
Income/(expense)			
PIAS FRANCE	**2**	**-**	*(104)*
PIAS PRODUCTION Limited	**1**	**-**	*101*
PIAS DIGITAL Limited	**1**	**400**	-

26. Related party transactions (continued)

Sub Notes
1) PIAS Digital Limited, PIAS Productions Limited and Fat Cat Records Limited are fellow group companies in the UK.
2) These entities are fellow group companies operating overseas.
3) £104,484 of the £254,753 debtor balance of Fat Cat is included within the provision of intercompany bad debts

PIAS Holding (UK) Limited was charged £29k (2014: £49k) by The Official UK Charts Company Limited, a company in which N Hartley is a director, in respect of subscriptions.

27. Ultimate parent company

PIAS Group SPRL, domiciled in Belgium, is the immediate parent company.

LGS 2 SPRL is the ultimate parent company and is domiciled in Belgium. Copies of the group financial statements can be obtained from 90 Rue de Veeweyde, 1070 Bruxelles, Belgium.

28. Subsidiaries and Associates

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Holding	Principal activity
Fat Cat Records Limited	United Kingdom	50%	Record label
PIAS Cooperative Limited	United Kingdom	100%	Dormant
PIAS Recordings UK Limited	United Kingdom	100%	Record company
PIAS UK Limited	United Kingdom	100%	Sale and distribution of music
PIAS/Wall of Sound Limited	United Kingdom	100%	Record label
Indie Mobile Limited	United Kingdom	100%	Dormant
Harmonia Mundi (UK) Limited	United Kingdom	100%	Dormant

The following were associates during the year:

Name	Country of incorporation	Holding	Principal activity
Wall of Sound (Nordic) Limited	United Kingdom	5%	Dormant
PIAS Productions Limited	United Kingdom	50%	Physical music production

29. Business combinations

Acquisition of Harmonia Mundi (UK) Limited.

The entire share capital of Harmonia Mundi (UK) Limited were acquired on 1 July 2015 for £181,500 in cash as well as £10,539 of legal costs which were added to the cost of acquisition. On the same date the trade and assets were of Harmonia Mundi (UK) Limited were hived up to the company at their book values.

The goodwill on acquisition of Harmonia Mundi (UK) Limited will be amortised over a period of 10 years because the directors consider this to be the period over which the company will gain economic benefit from the acquisition.

	Book value £	Fair value adjustment £	Fair value £
Tangible	**15,297**	**-**	*15,297*
	15,297	**-**	*15,297*
Stocks	**151,670**	**-**	*151,670*
Debtors	**367,362**	**-**	*367,362*
Cash in bank	**117,823**	**-**	*117,823*
Total assets	**652,152**	**-**	*652,152*
Due in one year	**(673,172)**	**(38,000)**	*(711,172)*
Fair value of net assets	**(21,020)**	**(38,000)**	*(59,020)*
Goodwill	**251,050**	**-**	*251,050*
Total purchase consideration	**230,030**	**(38,000)**	*192,030*
Purchase consideration settled in cash	**192,030**	**-**	*192,030*
Cash acquired on acquisition	**(117,823)**	**-**	*(117,823)*
Cash outflow on acquisition	**74,207**	**-**	*74,207*

Harmonia Mundi (UK) Limited contributed £878k of revenues from the date of acquisition as well as a loss of £20k.

30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.