

Sony Music Entertainment UK Limited

Directors' report and financial statements

Registered number 1471066

31 March 2013

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Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2013

Principal activities

The principal activity of the company is the production and exploitation of musical recordings

Business review and results

The company's turnover was 7.6% higher in the year ended 31 March 2013, totalling £205,578,000 (2012 £191,105,000) and gross profit increased by 0.6% to £107,176,000 (2012 £106,582,000)

The company made a profit for the financial year of £11,903,000 (2012 £11,632,000). Profits transferred to reserves amounted to £11,903,000 (2012 £11,632,000). The directors do not propose any dividends for the financial year (2012 £nil).

Principal risks and uncertainties

The company considers its key risks and uncertainties to be physical market decline and piracy, in addition to the strength of the release schedule.

Key Performance Indicators (KPIs)

The company considers its KPIs to include turnover and profit on ordinary activities before taxation. Turnover and profit on ordinary activities before taxation for the year ended 31 March 2013 are £205,578,000 (2012 £191,105,000) and £16,114,000 (2012 £15,151,000) respectively.

Detailed reporting of other KPIs is provided to the shareholders of the company on a regular basis but those KPIs are commercially sensitive and therefore the Directors consider that it would be detrimental to include further information on KPIs in the Directors' report.

Future prospects

The directors are confident that Sony Music Entertainment UK Limited will continue to deliver strong results in a challenging market through a strong release schedule, aligning its business model to the changing market and controlling costs effectively.

On 30 April 2013, the company completed its acquisition of a number of European trademarks in relation to the Now That's What I Call Music compilation brand. The company also entered into a joint venture arrangement with Universal Music Operations Limited in relation to the 'Now' business.

Employees

Sony Music Entertainment UK Limited 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.

The company's policy is that people with disabilities should have full and fair consideration for all vacancies. During the year, the company continued to demonstrate its commitment to interviewing those people with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment. Appropriate arrangements are made for the continued training, career development and promotion of disabled persons employed by the company, and the company actively retraining and adjusts their environment where possible to allow them to maximise their potential.

Directors' report *(continued)*

Directors

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

Michael Smith
Julie Swidler
Nicholas Gatfield (appointed 31 July 2012)
Edgar Berger (appointed 31 July 2012)
Stuart Bondell (appointed 24 October 2012)
William Rowe (appointed 24 October 2012)

Company Secretary

Abogado Nominees Limited and Simon Jenkins acted jointly and severally as company secretary during the year

Charitable donations

Charitable donations for the year ended 31 March 2013 amounted to £35,971 (2012 £30,419)

Creditor payment policy

For all trade creditors, it is the company's policy to

- agree the terms of payment at the start of business with that supplier,
- ensure that suppliers are aware of the terms of payment, and
- pay in accordance with its contractual and other legal obligations

The company's standard payment terms are 30 days. The average trade payables payment period of the company for the year ended 31 March 2013 was 38 days (2012 34 days)

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 directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

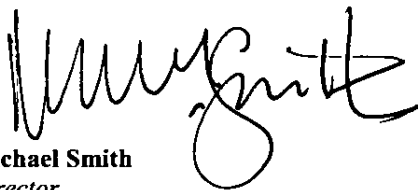
Statement as to disclosure of information to auditors

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.

Independent Auditors

PricewaterhouseCoopers LLP offer themselves for reappointment as auditors in accordance with section 487 of the Companies Act 2006.

On behalf of the Board on 20 November 2013


Michael Smith
Director

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

We have audited the financial statements of Sony Music Entertainment UK Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3 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 Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 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

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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



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

21 November 2013

Profit and Loss Account

for the year ended 31 March 2013

	<i>Note</i>	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Turnover	2	205,578	191,105
Cost of sales		(98,402)	(84,523)
Gross Profit		107,176	106,582
Distribution costs		(36,074)	(32,408)
Administrative expenses		(57,843)	(60,613)
Operating Profit		13,259	13,561
Loss on disposal of fixed assets		(7)	(260)
Amounts written off investments	11	-	(990)
Interest receivable and similar income	6	4,193	4,744
Interest payable and similar charges	7	(1,331)	(1,904)
Profit on ordinary activities before taxation		16,114	15,151
Tax on profit on ordinary activities	8	(4,211)	(3,519)
Profit for the financial year	18	11,903	11,632

Turnover and profit on ordinary activities before taxation for the year and prior year relate exclusively to continuing operations

There is no difference between the results as disclosed in the profit and loss account and results on a historical cost basis

Statement of Total Recognised Gains and Losses

	<i>Note</i>	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Profit for the financial year		11,903	11,632
Actuarial loss recognised in the pension scheme	23	(4,995)	(4,125)
Deferred tax arising on loss in the pension scheme	8	66	197
Total recognised gains relating to the financial year		6,974	7,704

The notes on pages 8 to 26 form part of these financial statements

Balance Sheet

as at 31 March 2013

	Note	31 March 2013 £000	31 March 2012 £000
Fixed assets			
Goodwill	9	33,054	35,797
Tangible assets	10	8,436	10,586
Investments	11	169,516	162,795
		<u>211,006</u>	<u>209,178</u>
Current assets			
Stock	12	542	879
Debtors	13	303,440	271,702
Cash at bank and in hand		906	3,770
		<u>304,888</u>	<u>276,351</u>
Creditors amounts falling due within one year	14	(258,719)	(241,153)
Net current assets		<u>46,169</u>	<u>35,198</u>
Total assets less current liabilities		<u>257,175</u>	<u>244,376</u>
Creditors amounts falling due after more than one year	14	(3,439)	(4,446)
Provision for liabilities	15	(789)	(718)
Net assets excluding pension asset		<u>252,947</u>	<u>239,212</u>
Net pension asset	23	5,436	5,350
Net assets including pension asset		<u>258,383</u>	<u>244,562</u>
Capital and reserves			
Called up share capital	17	5,251	5,251
Share premium account	18	45,015	38,168
Merger reserve	18	41,573	41,573
Other reserves	18	2,136	2,136
Profit and loss account	18	164,408	157,434
Total shareholders' funds	22	<u>258,383</u>	<u>244,562</u>

The financial statements on pages 6 to 26 were approved by the Board of Directors on 20 November 2013 and signed on its behalf by


Michael Smith
Director

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below

Cash flow exemption

The company is exempt from the requirement of Financial Reporting Standard (Revised) 1996, 'Cash flow statements', being a wholly owned subsidiary of Sony Corporation, a company incorporated in Japan and which prepares consolidated financial statements in English containing a consolidated cash flow statement dealing with the cash flows of the group and of the company

Consolidation

The financial statements contain information about Sony Music Entertainment UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The results of the company and its subsidiaries are included in the consolidated financial statements of Sony Corporation, a company incorporated in Japan. The directors consider the financial statements of Sony Corporation, prepared under US Generally Accepted Accounting Practices, to be equivalent to the requirements of the 7th EU Directive in all material respects and have therefore taken advantage of Companies Act 2006, section 401 as revised, and not prepared consolidated financial statements

Turnover and revenue recognition

Turnover comprises the value of sales (excluding VAT and net of trade discounts) of goods sold in the normal course of business, services provided by the company and royalty income. Turnover relating to goods is recognised when the product has been dispatched. Turnover relating to services is recognised once the services have been performed

Royalties

Royalty income is included on a receivable basis calculated on sales of records arising during each financial year as reported by licensees. Royalties payable are expensed on an accruals basis except when they are paid in advance 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 advances previously written off are recovered in subsequent years, recoupment is reflected in cost of sales

Goodwill

Purchased goodwill arising on acquisitions of businesses is capitalised in the balance sheet and amortised through the profit and loss account. Purchased goodwill represents the fair value of the consideration less the fair value of the net assets acquired

Notes to the financial statements (continued)

1 Accounting policies (continued)

Goodwill amortisation in the financial statements is provided on a straight line basis over periods ranging between 10 and 20 years, dependant of the specific return of the goodwill which, in the opinion of the directors, is the useful economic life of the goodwill acquired. An impairment review is undertaken where events or circumstances indicate that the amount may no longer be recoverable.

Tangible assets

Depreciation is provided on the cost of fixed assets in equal annual instalments over their estimated useful lives. The rates of depreciation used are as follows:

Short term leasehold improvements	-	life of lease
Office equipment	-	20% - 33.3%
Furniture and fixtures and fittings	-	14.3%

Assets in the course of construction are not depreciated.

PCs and peripherals are expensed as incurred.

Investments

Fixed asset investments are stated at cost less any provision for impairment. Impairment reviews are undertaken if there are indications that the investment carrying values may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents production costs charged by manufacturers.

Royalty advances and recording costs

Advances paid to artists in respect of future royalties together with recording costs recoverable from future royalties are carried forward as an asset pending recovery through royalties earned on future record sales. When full recovery is uncertain, these costs are written down to estimated recoverable amounts.

Leased assets

When the company enters into a lease which entails substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the estimated useful life or the term of the lease, whichever is the shorter.

Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account and the capital element, which reduces the outstanding obligation for future instalments. Operating lease payments are charged to the profit and loss account when incurred.

Operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Foreign currencies

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.

Pension costs

Sony Music Entertainment UK Limited and its subsidiaries participate in a number of defined contribution pension schemes. Certain employees of the company participate in the schemes. The company also makes certain contributions on behalf of these employees. The costs of the company contributions are charged to the profit and loss account in the year in which they are accrued.

The company also participates, along with other subsidiaries, in the Sony Music UK Pension Plan. Contributions to this pension plan are assessed by an independent qualified actuary based upon the cost of providing pensions across all participating group companies. The company operates a pension scheme providing benefits based on final pensionable pay. The pension scheme assets of the Sony Music UK Pension Plan are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses.

Taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No. 19 Deferred Tax.

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.

Notes to the financial statements (continued)

2 Turnover

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
<i>Geographical split of turnover by destination:</i>		
United Kingdom	150,131	148,544
Rest of World	55,447	42,561
	<u>205,578</u>	<u>191,105</u>
	Year ended 31 March 2013 £	Year ended 31 March 2012 £
<i>Turnover split by reportable segment:</i>		
Production, promotion and recordings	140,231	137,984
Royalty income	65,347	53,121
	<u>205,578</u>	<u>191,105</u>

Turnover and operating profit are generated from the production and promotion of recordings by international and UK recording artists and royalty income receivable

3 Operating profit

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
<i>Operating profit stated after charging / (crediting):</i>		
Depreciation of tangible assets - owned	526	640
Depreciation of tangible fixed assets – leased	1,756	1,748
Amortisation of purchased goodwill	2,743	2,743
Auditors' remuneration		
- Audit of company's financial statements	120	92
Operating lease charges		
- Plant and machinery	31	52
- Rent	2,666	2,468
- Other	26	46
Restructuring costs	693	6,516
Exchange losses / (gains)	305	(1,421)

The restructuring costs relate to a number of restructuring programmes initiated during the current and prior year including redundancies and outsourcing

Notes to the financial statements (continued)

4 Remuneration of directors

The directors receive emoluments from the company for their services to both the company and certain other subsidiaries in the group. Their total emoluments for all their services are charged in the financial statements of the company.

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Aggregate emoluments	3,496	1,730
Pension scheme contributions	102	91
	<u>3,598</u>	<u>1,821</u>

The total emoluments, including pension contributions of £50,000 (2012 £54,000), of the highest paid director were £2,062,000 (2012 £953,000).

Retirement benefits are accruing to 3 directors (2012 4) under a money purchase pension scheme.

5 Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

Number of employees

	Year ended 31 March 2013	Year ended 31 March 2012
Sales and distribution	184	202
Administration	117	122
	<u>301</u>	<u>324</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Wages and salaries	20,655	20,654
Social security costs	2,676	2,825
Pension costs	923	1,485
	<u>24,254</u>	<u>24,964</u>

Notes to the financial statements *(continued)*

6 Interest receivable and similar income

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Bank loans	33	11
Interest receivable from group companies	3,389	4,131
Other loans	49	67
Pension income (net)	722	535
	<u>4,193</u>	<u>4,744</u>

Intercompany balances earned a rate of interest of 1.40% in the year (2012: 1.75%)

7 Interest payable and similar charges

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Interest payable to group companies	1,331	1,904
	<u>1,331</u>	<u>1,904</u>

Intercompany balances carried a rate of interest of 1.40% in the year (2012: 1.75%)

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities

Analysis of tax charge for the year

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
<i>Current tax</i>		
<i>United Kingdom</i>		
Corporation tax at 24% (2012 26%)	4,206	4,181
Adjustments in respect of previous years	649	(762)
	<u>4,855</u>	<u>3,419</u>
<i>Foreign tax</i>		
Adjustments in respect of previous years	62	103
Total current tax	<u>4,917</u>	<u>3,522</u>
<i>Deferred tax</i>		
Pension (see below)	-	-
Origination / reversal of other timing differences	(706)	53
Adjustments in respect of previous years	-	(56)
Total deferred tax	<u>(706)</u>	<u>(3)</u>
Tax on profit on ordinary activities	<u><u>4,211</u></u>	<u><u>3,519</u></u>

The deferred tax expense arising on pensions and recorded in the profit and loss account in the period is £nil (2012 £nil). Instead, the movement in the deferred tax liability per note 23 is recorded through the Statement of Recognised Losses and Gains, in accordance with FRS 17. The movement in the deferred tax liability in the year is -£66,000 (2012 -£197,000).

The tax assessed for the year is higher (2012 lower) than the standard rate of corporation tax in the UK of 24% (2012 26%) applied to the pre-tax profit of the company. The differences are explained below.

	Year ended 31 March 2012 £000	Year ended 31 March 2010 £000
Profit on ordinary activities before taxation	<u>16,114</u>	<u>15,151</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	3,867	3,939
<i>Effects of</i>		
Expenses not deductible for tax purposes	705	380
Accelerated capital allowances	128	726
Short term timing differences	710	151
Pension cost relief in excess of pension cost charges	(1,204)	(1,015)
Adjustments in respect of previous years	649	(762)
Foreign tax - adjustments in respect of previous years	62	103
Total current tax charge	<u><u>4,917</u></u>	<u><u>3,522</u></u>

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting current and future tax charges

Legislation to reduce the main rate of corporation tax to 23% from 1 April 2013 was included in the Finance Act 2012. The Finance Act 2012 was substantively enacted at the balance sheet date. Legislation to reduce the corporation tax rate further to 21% from 1 April 2014 and 20% from 1 April 2015 is included in the Finance Act 2013. The Finance Act was substantively enacted on 2 July 2013 and received Royal Assent on 17 July 2013. The rate reductions to 21% and 20% had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

9 Goodwill

	Total £000
<i>Cost</i>	
At 1 April 2012 and 31 March 2013	59,108
<i>Accumulated amortisation</i>	
At 1 April 2012	23,311
Charge for the year	2,743
At 31 March 2013	26,054
<i>Net book value</i>	
At 31 March 2013	33,054
At 31 March 2012	35,797

On 31 October 2004 the Recorded Music trade and assets of Sony Music Entertainment UK Limited were transferred to Sony BMG Entertainment (UK) Limited. This goodwill is being amortised over a period of 20 years. On 5 August 2008 Sony Corporation acquired Bertelsmann AG's 50 percent stake in the group and the company was renamed Sony Music Entertainment UK Limited.

Notes to the financial statements (continued)

10 Tangible assets

	Short term leasehold improvements	Office equipment	Furniture, fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At 1 April 2012	15,879	1,599	1,573	19,051
Additions	40	100	-	140
Disposals	-	(61)	-	(61)
At 31 March 2013	15,919	1,638	1,573	19,130
Accumulated depreciation				
At 1 April 2012	6,461	1,142	862	8,465
Charge for the year	1,756	317	210	2,283
Disposals	-	(54)	-	(54)
At 31 March 2013	8,217	1,405	1,072	10,694
Net book value				
At 31 March 2013	7,702	233	501	8,436
At 31 March 2012	9,418	457	711	10,586

11 Investments

	Joint ventures and associate undertakings	Subsidiary undertakings	Total
	£000	£000	£000
Cost			
At 1 April 2012	89,785	136,678	226,463
Additions	6,848	-	6,848
Disposals	(127)	-	(127)
At 31 March 2013	96,506	136,678	233,184
Provisions for permanent diminution in value			
At 1 April 2012 and 31 March 2013	-	63,668	63,668
Net book value			
At 31 March 2013	96,506	73,010	169,516
At 31 March 2012	89,785	73,010	162,795

The directors believe that the carrying value of the investments is supported by their underlying net assets

On 2 April 2012, the company disposed of its investment in Lucid Group (Holdings) Limited for proceeds of £126,000, which was equivalent to the net book value of the investment at the time of disposal

Notes to the financial statements (continued)

11 Investments (continued)

On 28 March 2013, the company increased its investment in its joint venture company Syco Entertainment Limited, by acquiring a further 1 ordinary share for £6,847,213

The company has the following principal subsidiary undertakings, joint ventures and associated undertakings all of which are incorporated in Great Britain and wholly owned except where otherwise indicated. All companies are unlisted.

Name of company	Principle Activity
Subsidiary Undertakings	
Ariola Music Limited*	Non-trading
Blue Sky Music Limited	Recorded music
Sony Music Entertainment Ariola Records Limited*	Non-trading
Sony Music Entertainment Arista Records Limited*	Non-trading
Sony Music Interactive Video Limited	Non-trading
Sony Music Entertainment Eurodisc Limited	Recorded music
Charnet Music Limited	Non-trading
Cheeky Records Limited	Recorded music
Conifer Records Limited	Recorded music
Coombe Music International Limited*	Non-trading
Creation Records Limited	Recorded music
Deconstruction Limited	Recorded music
Dedicated Limited	Recorded music
Global Television Limited	Recorded music
Hansa Production Limited	Recorded music
Indolent Records Limited	Non-trading
Logic Records (UK) Limited	Non-trading
Micrometro Limited*	Non-trading
Multitone Records Limited	Non-trading
Music For Nations Limited*	Non-trading
My Play Direct International Limited	Non-trading
Silvertone Records Limited*	Recorded music
Sony Music Entertainment Ireland Limited	Recorded music
UFA Video & Media (UK) Limited	Non-trading
Vogelcourt Limited	Non-trading
Zomba Records Limited	Recorded music
Zomba Recording Services Limited*	Non-trading
Phonogenic Limited	Recorded music
Salli Isaak Limited	Non-trading
Joint Ventures	
Syco Entertainment Limited (50%)	TV programme format creation and production
Foam Agency Limited (50%)	Intellectual property right research, creation & promotion
4 Tunes Music Publishing Limited (50%)	Music publishing
Sign of the Times Records Limited (51%)	Recorded music
Associated Undertakings	
Fever Media Limited (25%)	TV production
Lissie & Co Limited (25%)	Non-trading

* Not held directly by the company

Notes to the financial statements (continued)

12 Stocks

	31 March 2013 £000	31 March 2012 £000
Finished goods and goods held for resale	542	879

13 Debtors

	31 March 2013 £000	31 March 2012 £000
<i>Amounts falling due within one year</i>		
Royalty advances	2,033	1,861
Trade debtors	12,044	7,245
Amounts owed by group undertakings	265,033	234,766
Other debtors	11,057	10,067
Taxation and social security	4,476	2,862
Corporation tax debtor	135	-
Prepayments and accrued income	5,629	12,574
	300,407	269,375
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset	3,033	2,327
	303,440	271,702

In addition to the deferred tax asset disclosed above, a deferred tax liability of £1,624,000 (2012 £1,690,000) has been netted against the pension scheme asset (2012 asset) See note 23

14 Creditors

	31 March 2013 £000	31 March 2012 £000
<i>Amounts falling due within one year</i>		
Trade creditors	20,108	16,340
Royalties and licences	66,249	59,405
Amounts owed to group undertakings	127,669	110,133
Group relief payable	8,919	12,052
Corporation tax payable	-	935
Other creditors	1,426	1,359
Accruals and deferred income	34,348	40,929
	258,719	241,153
<i>Amounts falling due after more than one year</i>		
Long term lease incentives	3,439	4,446
	262,158	245,599

Notes to the financial statements (continued)

15 Provisions for liabilities

	Dilapidations Provision £000	Restructuring Provision £000	Total £000
At 1 April 2012	717	-	717
Charged to profit and loss account	-	693	693
Charged to leasehold asset	72	-	72
Utilised during the year	-	(693)	(693)
At 31 March 2013	789	-	789

The dilapidation obligation is expected to be settled in September 2017

16 Deferred taxation

	31 March 2013 £000	31 March 2012 £000
Accelerated capital allowances	(1,877)	(1,830)
Other short term timing differences	(1,156)	(497)
Undiscounted deferred tax asset	(3,033)	(2,327)

The movement on deferred tax is as follows

	31 March 2013 £000	31 March 2012 £000
Asset at start of year	(2,327)	(2,324)
Deferred tax (credit) / charge in profit and loss account for the year	(706)	53
Adjustments due to prior year	-	(56)
Asset at end of year	(3,033)	(2,327)

The overall effect of the changes in the tax rate to 20% by 1 April 2015, if applied to the deferred tax balance as at 31 March 2013, would reduce the deferred tax asset by £396,000 (being £264,000 recognised in 2014 and £132,000 recognised in 2015)

17 Called up share capital

	31 March 2013 £000	31 March 2012 £000
<i>Authorised, allotted, called up and fully paid</i>		
5,251,000 (2012 5,251,000) ordinary shares of £1 each	5,251	5,251

On 28 March 2013, 1 ordinary share was issued for cash to the company's immediate parent undertaking, Sony Music Entertainment Holdings Limited. The nominal value of the share was £1, and the consideration received was £6,847,213.

Notes to the financial statements (continued)

18 Reserves

	Share Premium Account	Merger Reserve	Other Reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 April 2012	38,168	41,573	2,136	157,434	239,311
Profit for the financial year	-	-	-	11,903	11,903
Actuarial loss	-	-	-	(4,929)	(4,929)
Premium on share issued during the year	6,847	-	-	-	6,847
Closing balance	45,015	41,573	2,136	164,408	253,132

19 Artist advance commitments

At 31 March 2013, the company has a total contractual commitment in respect of artist advances and recording costs of £11,271,000 (2012 £15,678,000) of which £11,271,000 relates to the year (2012 £15,678,000)

20 Operating lease commitments

	31 March 2013 £000	31 March 2012 £000
<i>Operating leases which expire.</i>		
Land and buildings		
Within two to five years	3,650	-
After five years	-	3,650
	3,650	3,650
Other		
Within one year	10	40
Within two to five years	-	10
After five years	53	-
	63	50

21 Guarantees

At 31 March 2013 the company had in issue guarantees to NatWest Bank Plc for Customs and Excise for £60,000 in respect of deferred VAT (2012 £60,000)

Notes to the financial statements *(continued)*

22 Reconciliation of movements in shareholders' funds

	31 March 2013 £000	31 March 2012 £000
Opening shareholders' funds	244,562	236,858
Profit for the financial year	11,903	11,632
Actuarial loss (net of deferred tax)	(4,929)	(3,928)
Premium on shares issued during the year	6,847	-
Closing shareholders' funds	258,383	244,562

23 Pensions

Sony Music UK Pension Plan

The company is a Principal Employer under the Sony Music UK Pension Scheme ("Core Plan") following its acquisition of the trade and assets of Sony Music Entertainment UK Limited on 31 October 2004, which also provides benefits to employees of Sony Group companies

The fair value of the assets of the Sony Music UK Pension Scheme has been allocated between employees of the company and other members based on projected benefit obligations at that date. The liabilities were allocated based on the individual identities of active, deferred and pensioner members.

The company also administers a defined contribution scheme ("The VIP Plan")

The Core Plan is of the defined benefit type and has been closed to new members since 31 March 1995 and under the projected unit method the current service cost will increase as the members approach retirement. Employees who remain as active members contribute 3% of pensionable salary. The company's contribution is based on the recommendation of the actuary's triennial valuation. The assets of the scheme are held separately from those of the company, being invested in a consensus fund managed by Barclays Global Investors.

The pension cost is assessed in accordance with the advice of an independent actuary using the projected unit method. At 31 March 2013, the market value of the scheme's assets was £97,832,000 (2012 £88,576,000). The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions.

The company pension contributions for the year ended 31 March 2013 amounted to £4,293,000 (2012 £3,907,000).

The company's current service cost for the scheme for the year was £557,000 (2012 £535,000).

In addition, the company contributes to The VIP Plan which is a defined contribution scheme. It is the company's policy to contribute in such a way as to match voluntary contributions made by employees to a maximum of 2% of pensionable salary. Such contributions for the year ended 31 March 2013 amounted to £24,000 (2012 £21,000).

Sony Entertainment UK Pension Plan

The company also participated in the Sony Entertainment UK Pension Plan ("The Money Purchase Plan"), another defined contribution scheme open to new employees and also available to existing employees to transfer into. The assets of the scheme are held separately from those of the company.

It is the company's policy to contribute in such a way as to match voluntary contributions made by employees to a maximum of 10% of pensionable salary.

Notes to the financial statements (continued)

23 Pensions (continued)

The total pension expense for The Money Purchase Plan for the year amounted to £181,000 (2012 £190,000)

The company also incurs expenditure related to the administration of all of the above pension schemes and the securing of life insurance and personal insurance benefits for all employees

FRS 17 disclosures

The company participates in a pension scheme in the UK which contains both a defined benefit and defined contribution scheme. A full actuarial valuation of the Sony UK Pension Plan was carried out at 31 March 2012 and the year end results are based on approximate updates carried out by a qualified independent actuary.

The funded status as at 31 March, and the related amounts recognised in the balance sheet, were as follows

	Year ended 31 March 2013	Year ended 31 March 2012
Discount rate	4.40%	4.90%
Retail Inflation assumption	3.25%	3.10%
Consumer Inflation assumption	2.25%	2.10%
Expected rate of return on plan assets	5.50%	5.50%
Rate of compensation increase	4.25%	4.10%
Pension increase assumption (Post 97 pension)	3.00%	2.90%
Life expectancy of a male aged 65 at end of year	27.8	26.1
Life expectancy of a female aged 65 at end of year	30.6	29.0

Reconciliation of present value of scheme contribution

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Benefit obligation, beginning of year	75,212	69,539
Current service cost	557	535
Interest cost	3,604	3,800
Plan participants' contributions	27	28
Actuarial loss	15,269	5,232
Gross benefits paid	(3,230)	(3,372)
Administration expenses	(667)	(550)
Benefit obligation, end of year	90,772	75,212

Notes to the financial statements (continued)

23 Pensions (continued)

Reconciliation of present value of scheme assets

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Fair value, beginning of year	88,576	79,132
Expected return	4,883	4,669
Actuarial gain	3,950	4,762
Employer contributions	4,293	3,907
Plan participants' contribution	27	28
Gross benefits paid	(3,230)	(3,372)
Administration expenses	(667)	(550)
Fair value of plan assets, end of year	97,832	88,576

Plan asset allocation

	Year ended 31 March 2013 £'000	Actual Allocation	Year ended 31 March 2012 £'000
Equities	43,763	44.7%	34,058
Debt securities	53,915	55.1%	49,265
Other	154	0.2%	5,253
Total	97,832	100.0%	88,576

The funded status as at 31 March 2011, and the related amounts recognised in the balance sheet, were as follows

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Fair value of plan assets	97,832	88,576
Benefit obligations	(90,772)	(75,212)
Funded status	7,060	13,364
Unrecoverable deficit	-	(6,324)
Net amount recognised, end of year	7,060	7,040
Deferred tax liability	(1,624)	(1,690)
Surplus, end of year	5,436	5,350

The fund value exceeds the asset ceiling and has therefore been capped at the ceiling value

Notes to the financial statements (continued)

23 Pensions (continued)

Analysis of the amount that is charged to profit or loss

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Current service cost	557	535
Interest cost on pension scheme liabilities	3,604	3,800
Expected return on plan assets	(4,883)	(4,669)
Restricted return on plan assets	-	334
Total	(722)	-

The company expects to contribute £4,179,000 to the pension plan in the next financial year

Cumulative amount recognised in the statement of total recognised gains and losses (STRGL)

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Cumulative amount recognised, beginning of year	13,138	9,013
Net actuarial loss	11,319	470
Restriction on asset surplus recognised	(6,324)	3,655
Actuarial loss recognised in the pension scheme	4,995	4,125
Cumulative amount recognised at the end of the year	18,133	13,138

Notes to the financial statements (continued)

23 Pensions (continued)

Analysis of pension deficit for current year and previous years

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	15 months ended 31 March 2009 £'000
Defined benefit obligation	97,832	88,576	79,132	73,841	53,266
Plan assets	(90,772)	(75,212)	(69,539)	(69,967)	(61,157)
Funded status	7,060	13,364	9,593	3,874	(7,891)
Experience adjustment on the pension obligation	(4,286)	(422)	1,780	1,673	(3,604)
Experience adjustment on plan assets	3,950	4,762	801	13,907	(20,026)
Total amount recognised in STRGL	(4,995)	(4,125)	(556)	6,835	(12,875)

24 Immediate and ultimate holding company

The company's immediate parent undertaking 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 Sony Corporation financial statements can be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

25 Post balance sheet events

On 30 April 2013, the company completed its acquisition of a number of European trademarks in relation to the Now That's What I Call Music compilation brand for total consideration of £36,100,000. The company also entered into a joint venture arrangement with Universal Music Operations Limited in relation to the 'Now' business.

26 Related party transactions

Sony Music Entertainment UK Limited provides Fever Media Limited with certain administrative services. During the year Sony Music Entertainment UK Limited received cash and made payments in relation to the year to 31 March 2013 on behalf of Fever Media Limited. The net income from transactions with Fever Media Limited was £nil during the year (2012 £nil). During the year, the outstanding loan balance between Sony Music Entertainment UK Limited and Fever Media Limited was written off. The carrying value of the loan at this time was £1,305,595 (2012 £1,245,000). As such, the amount owed by Fever Media Limited was £nil at 31 March 2013 (2012 £823,366). Fever Media Limited is a related party, as the company owns 25% of the share capital of Fever Media Limited.

Notes to the financial statements (continued)

26 Related party transactions (continued)

Sony Music Entertainment UK Limited provides Simco Limited with certain administrative services. During the year Sony Music Entertainment UK Limited received and made payments in relation to the year to 31 March 2013 on behalf of Simco Limited. Sony Music Entertainment UK Limited receives a service fee from Simco Limited which includes office rent and is calculated on an arms length basis. In addition, Simco Limited licenses artists to Sony Music Entertainment and pays licensing royalties. The net charge from transactions with Simco Limited was £3,059,203 during the year (2012 £2,842,875). The amount owed by Simco Limited was £10,222,669 (2012 £1,971,115).

Simco Limited is a related party as the company owns 50% of the share capital of Syco Entertainment Limited, which is the immediate parent of Simco Limited. During the year, the company also increased its investment in Syco Entertainment Limited, by contributing additional share premium of £6,847,213.

Sony Music Entertainment UK Limited provides Ronagold Limited with certain administrative services. The net expense from transactions with Ronagold Limited was £12,563 (2012 £114,187) during the year. The amount owed to Ronagold Limited by Sony Music Entertainment UK Limited as at 31 March 2013 was £2,493 (2012 £167,199). Sony Music Entertainment UK Limited is a related party as it owns 50% of the share capital of Syco Entertainment UK Limited which is the immediate parent of Ronagold Limited.

4 Tunes Music Publishing Limited is a joint venture in which Sony Music Entertainment UK Limited has a 50% holding. During the year Sony Music Entertainment UK Limited has paid an amount of £698,625 (2012 £506,250) to Portpholio Limited (a related company) on behalf of 4 Tunes Music Publishing Limited. The amount owed by 4 Tunes Music Publishing Limited was £nil at 31 March 2013 (2012 £nil).

Foam Agency Limited is a joint venture in which Sony Music Entertainment has a 50% holding. The balance owed from Foam Agency Limited to SME UK Limited at the end of the year was £48,324 (2012 £11,064).

The company is exempt under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions with entities that are wholly owned by the Sony Corporation group of companies.