Sony Music Entertainment UK Limited

Annual report and financial statements

Registered number 1471066

31 March 2016

Contents

Directors' report

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

Principal activities

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

Future developments

The directors do not intend the activities of the business to change for the foreseeable future and no significant future developments are noted other than those outlined as post balance sheet events below.

Directors

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

Edgar Berger
Stuart Bondell
William Rowe
Michael Smith
Julie Swidler

Company Secretary

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

Events after the balance sheet date

Following the year end date, on 3 August 2016, a dividend of £41,485,000 (*2015: £nil*) was paid to the company by a subsidiary undertaking, Zomba Records Limited.

Following the year end date, on 10 August 2016, the company purchased 100% of the shares of Ministry of Sound Recordings Limited.

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 retrains and adjusts their environment where possible to allow them to maximise their potential.

Directors' report *(continued)*

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.

Financial risk management

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

Market risk – Foreign exchange risk

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

Credit risk

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

Liquidity risk

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

Charitable donations

Charitable donations for the year ended 31 March 2016 amounted to £49,416 *(2015: £16,562).*

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Report Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Directors' report *(continued)*

Statement of directors' responsibilities *(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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

Approved by the Board and signed on its behalf on 21 December 2016.

William Rowe
Director

Strategic report

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

Business review, results and dividends

The company's turnover was 16.8% lower in the year ended 31 March 2016, totalling £198,104,000 *(2015: £238,099,000)* and gross profit reduced by 21.9% to £103,215,000 *(2015: £132,242,000)*.

The company made a profit for the financial year of £14,111,000 *(2015: £96,089,000)*. Profits transferred to reserves amounted to £14,111,000 *(2015: 96,089,000)*. The directors do not propose any dividends for the financial year *(2015: £nil)*.

During the year the company acquired 100% of the issued shares of Essential Music and Marketing Limited, 100% of the issued shares of Century Media Records Limited and a further 25% investment in Syco Entertainment Limited. Further details of these investments can be found in note 14.

Principal risks and uncertainties

The company considers its key risks and uncertainties to be physical music 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 2016 are £198,104,000 *(2015: £238,099,000)* and £17,764,000 *(2015: £104,310,000)* respectively.

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

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 2016 was 31 days (*2015: 38 days*).

On behalf of the Board on 21 December 2016.

William Rowe
Director

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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

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

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

Responsibilities for the financial statements and the audit *(continued)*

What an audit of financial statements involves (continued)

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

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

Profit and loss account

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Turnover	*5*	**198,104**	238,099
Cost of sales		**(94,889)**	(105,857)
Gross profit		**103,215**	132,242
Distribution costs		**(31,734)**	(41,998)
Administrative expenses		**(59,178)**	(59,324)
Operating profit	*6*	**12,303**	30,920
Income from shares in group undertakings		**8,755**	68,986
Income from interest in jointly controlled entities		**4,612**	4,356
Other interest receivable and other income	*9*	**3,634**	3,426
Amounts written off investments	*14*	**(10,956)**	(3,000)
Interest payable and similar charges	*10*	**(584)**	(378)
Profit on ordinary activities before taxation		**17,764**	104,310
Tax on profit on ordinary activities	*11*	**(3,653)**	(8,221)
Profit for the financial year		**14,111**	96,089

Statement of comprehensive income

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit for the financial year		**14,111**	96,089
Actuarial loss recognised in the pension scheme	*23*	**(6,858)**	(3,825)
Deferred tax arising on loss in the pension scheme	*23*	**318**	(55)
Total comprehensive income for the year		**7,571**	92,209

The notes on pages 11 to 33 form part of these financial statements.

Balance Sheet
as at 31 March 2016

	Note	31 March 2016 £000	31 March 2015 £000
Fixed assets			
Intangible assets	*12*	**53,451**	58,826
Tangible assets	*13*	**2,621**	4,343
Investments	*14*	**257,450**	166,431
		313,522	229,600
Current assets			
Pension asset: amounts falling due after more than one year	*23*	**-**	1,270
Debtors: amounts falling due within one year	*15*	**287,738**	355,331
Cash at bank and in hand		**1,024**	800
		288,762	357,401
Creditors: amounts falling due within one year	*16*	**(200,839)**	(226,197)
Net current assets		**87,923**	131,204
Total assets less current liabilities		**401,445**	360,804
Creditors: amounts falling due after more than one year	*16*	**(34,400)**	(1,427)
Provisions for liabilities	*17*	**(1,049)**	(952)
Net assets		**365,996**	358,425
Capital and reserves			
Called up share capital	*19*	**5,251**	5,251
Share premium account		**45,015**	45,015
Other reserves		**43,709**	43,709
Retained earnings		**272,021**	264,450
Total equity		**365,996**	358,425

The notes on pages 11 to 33 form part of these financial statements.

The financial statements on pages 8 to 33 were approved by the Board of Directors on 21 December 2016 and signed on its behalf by

William Rowe
Director

Statement of changes in equity
for the year ended 31 March 2016

	Called-up share capital	Share premium account	Other reserves	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance as at 1 April 2014	5,251	45,015	43,709	172,241	266,216
Profit for the financial year	-	-	-	96,089	96,089
Actuarial loss, net of deferred tax	-	-	-	(3,880)	(3,880)
Balance as at 31 March 2015	5,251	45,015	43,709	264,450	358,425
Balance as at 1 April 2015	5,251	45,015	43,709	264,450	358,425
Profit for the financial year	-	-	-	14,111	14,111
Actuarial loss, net of deferred tax	-	-	-	(6,540)	(6,540)
Balance as at 31 March 2016	**5,251**	**45,015**	**43,709**	**272,021**	**365,996**

The notes on pages 11 to 33 form part of these financial statements.

Notes to the financial statements *(continued)*

(forming part of the financial statements)

1 General information

Sony Music Entertainment UK Limited ('the company') has the principal activity of producing and exploiting musical recordings. These musical recordings are produced in the United Kingdom and are sold and distributed domestically and throughout the world.

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

2 Statement of compliance

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

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 27.

Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Financial reporting standard 102 – reduced disclosure exemptions

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

- The requirements of Section 4 Statement of Financial Positions paragraph 4.12(a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);

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

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Consolidated financial statements

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.

Foreign currencies

(i) Functional and presentational currency

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

(ii) Transactions and balances

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

Turnover and revenue recognition

Turnover comprises the value of sales (excluding VAT and net of trade discounts) of physical goods, digital products, royalty income and of services sold in the normal course of business. Turnover relating to goods is recognised when the product has been dispatched. Turnover relating to digital products is recognised when the products are sold based on reports from digital service providers. 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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

(ii) 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 comprehensive income, actuarial gains and losses.

Taxation

(i) Current tax

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

Sony Music UK entities which include this company are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. Such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief receivable is included in the taxation charge or credit for the year.

(ii) Deferred tax

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

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

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Intangible assets

(i) 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.

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.

(ii) *Trademarks*

Purchased trademarks are capitalised at cost in the balance sheet and amortised through the profit and loss account. Trademark amortisation in the financial statements is provided on a straight line basis over a period of 15 years which is deemed to be the useful economic life of the trademarks acquired.

Tangible assets

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

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, fixtures and fittings	-	14.3%

Assets in the course of construction are not depreciated.

The cost of PCs and peripherals are expensed as incurred.

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)*

3 Summary of significant accounting policies *(continued)*

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.

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.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Jointly Controlled Entities

Under FRS102, Sony Music Entertainment UK Limited has classified their interest in Now That's What I Call Music LLP as a jointly controlled entity, in which the arrangement is being carried on through a separate partnership. Sony Music Entertainment UK Limited is accounting for its acquisition of the Now That's What I Call Music trademarks at cost less impairment.

Financial instruments

(i) Financial assets

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

(ii) Financial liabilities

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instruments are initially recognised at fair value on the date of the contract into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Share capital

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

4 Critical accounting judgements and estimation uncertainty

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

The directors have concluded that there are no material judgements or estimations to disclose.

5 Turnover

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

A geographical analysis of turnover is shown below:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
United Kingdom	**139,336**	166,115
Rest of World	**58,768**	71,984
	198,104	238,099

The comparative turnover figures have been restated in the current year financial statements to show the correct geographical split between the United Kingdom and the Rest of World.

6 Operating profit

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Operating profit stated after charging / (crediting):		
Depreciation of tangible assets - owned	**123**	259
Depreciation of tangible fixed assets – leased	**1,774**	1,793
Amortisation of purchased goodwill	**2,743**	2,744
Amortisation of trademarks	**2,632**	2,632
Impairment of trade receivables	**80**	42
Auditors' remuneration:		
- Audit of company's financial statements	**83**	83
- Other services	**22**	-
Operating lease charges:		
- Plant and machinery	**73**	76
- Rent	**2,617**	2,655
Restructuring costs	**1,395**	943
Exchange losses/(gains)	**365**	(835)

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)*

7 Remuneration of directors

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

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Aggregate emoluments	**1,045**	953
Pension scheme contributions	**56**	56
	1,101	1,009

The total emoluments, including pension contributions of £28,000 *(2015: £28,000)*, of the highest paid director were £574,793 *(2015: £505,000)*.

Retirement benefits accrue to 2 directors *(2015: 2)* under a money purchase pension scheme.

8 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 2016	Year ended 31 March 2015
Sales and distribution	**188**	182
Administration	**101**	105
	289	287

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Wages and salaries	**25,068**	24,119
Social security costs	**3,284**	3,183
Other pension costs	**1,439**	1,700
	29,791	29,002

Notes to the financial statements *(continued)*

9 Other interest receivable and other income

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Bank deposits	**4**	4
Interest receivable from group companies	**22**	47
Pension income (net)	**660**	507
Service fees	**2,948**	2,868
	3,634	3,426

With effect from 1 April 2014 intercompany balances between 100% members of the Sony Music Entertainment UK group were interest free.

10 Interest payable and similar charges

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Other loans	**584**	378
	584	378

Notes to the financial statements *(continued)*

11 Tax on profit on ordinary activities

(a) Tax expense included in profit or loss:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Current tax:		
United Kingdom		
Corporation tax at 20% *(2015: 21%)*	**3,836**	7,924
Adjustments in respect of prior periods	**-**	135
	3,836	8,059
Foreign tax		
Foreign tax suffered	**22**	98
Total current tax charge	**3,858**	8,157
Deferred tax		
Origination / reversal of other timing differences	**(282)**	64
Effect of increase / decrease tax rate on opening balance	**77**	-
Total deferred tax	**(205)**	64
Tax on profit on ordinary activities	**3,653**	8,221

The deferred tax expense/credit arising on pensions is not recorded in the profit and loss account but instead, the movement in the deferred tax liability in respect of pensions as set out in per note 23 is recorded through the Statement of Comprehensive Income, in accordance with FRS 102 and amounted to a credit of £318,000 *(2015: £54,400 debit).*

Notes to the financial statements *(continued)*

11 Tax on profit on ordinary activities *(continued)*

(b) Reconciliation of tax charge:

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

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit on ordinary activities before taxation	**17,764**	104,310
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% *(2015: 21%)*	**3,553**	21,905
Effects of:		
Expenses not deductible for tax purposes	**2,995**	1,316
Income not taxable for tax purposes	**(1,847)**	(14,588)
Fixed asset differences	**193**	152
Foreign tax suffered	**22**	98
Amounts charged directly to equity or otherwise transferred	**(1,372)**	(803)
Effect of tax rate change on opening balance	**77**	-
Deferred tax – rate adjustment	**32**	6
Adjustments in respect of previous years	**-**	135
Total tax charge	**3,653**	8,221

Tax rate changes:

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

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

Notes to the financial statements *(continued)*

12 Intangible assets

	Goodwill	Trademarks	Total
	£000	**£000**	**£000**
Cost			
At 1 April 2015	59,108	36,101	95,209
At 31 March 2016	59,108	36,101	95,209
Accumulated amortisation			
At 1 April 2015	31,541	4,842	36,383
Charge for the year	2,743	2,632	5,375
At 31 March 2016	34,284	7,474	41,758
Net book value			
At 31 March 2016	**24,824**	**28,627**	**53,451**
At 31 March 2015	27,567	31,259	58,826

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.

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.

13 Tangible assets

	Short term leasehold improvements	Office equipment	Furniture, fixtures and fittings	Total
	£000	**£000**	**£000**	**£000**
Cost				
At 1 April 2015	15,979	1,639	1,599	19,217
Additions	-	109	66	175
At 31 March 2016	15,979	1,748	1,665	19,392
Accumulated depreciation				
At 1 April 2015	11,772	1,608	1,494	14,874
Charge for the year	1,774	48	75	1,897
At 31 March 2016	13,546	1,656	1,569	16,771
Net book value				
At 31 March 2016	**2,433**	**92**	**96**	**2,621**
At 31 March 2015	4,207	31	105	4,343

Notes to the financial statements *(continued)*

14 Investments

	Joint ventures, joint arrangements and associate undertakings	Subsidiary undertakings	Total
	£000	£000	£000
Cost			
At 1 April 2015	96,421	147,909	244,330
Additions	-	101,975	101,975
Disposals	-	-	-
Transfers	(96,421)	96,421	-
At 31 March 2016	-	**346,305**	**346,305**
Provisions for permanent diminution in value			
At 1 April 2015	-	77,899	77,899
Charge for the year	-	10,956	10,956
At 31 March 2016	-	**88,855**	**88,855**
Net book value			
At 31 March 2016	-	**257,450**	**257,450**
At 31 March 2015	96,421	70,010	166,431

On 7 July 2015, the company acquired a 50% share in Syco Holdings Limited (representing an indirect additional 25% investment in Syco Entertainment Limited) for a total consideration of £86,456,000. Of this consideration the sum of £52,405,000 was paid in cash with a further £33,396,000 taking the form of loan notes issued by Syco Holdings Limited to the company. Details of these loan notes can be found in note 16.

On 10 July 2015, the company acquired 100% of the issued shares of Century Media Records Limited for total consideration of £12,156,000.

On 2 March 2016, the company acquired 100% of the issued shares of Essential Music and Marketing Limited for total consideration of £3,661,000.

The directors believe that the carrying value of the investments is supported by their underlying net assets. During the year ended 31 March 2016, the company made an additional provision against its investment in subsidiaries.

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

Notes to the financial statements *(continued)*

14 Investments *(continued)*

Name of company	Country of incorporation	Class and percentage shares held
Direct Related Undertakings		
4 Tunes Music Publishing Limited	U.K.	100% ordinary share capital
Blue Sky Music Limited	U.K.	100% ordinary share capital
Century Media Records Limited	U.K.	100% ordinary share capital
Charriet Music Limited	U.K.	100% ordinary share capital
Cheeky Records Limited	U.K.	100% ordinary share capital
Conifer Records Limited	U.K.	100% ordinary share capital
Creation Records Limited	U.K.	100% ordinary share capital
Deconstruction Limited	U.K.	100% ordinary share capital
Dedicated Limited	U.K.	100% ordinary share capital
Essential Music & Marketing Limited	U.K.	100% ordinary share capital
Global Television Limited	U.K.	100% ordinary share capital
Hansa Production Limited	U.K.	100% ordinary share capital
Indolent Records Limited	U.K.	100% ordinary share capital
Logic Records (UK) Limited	U.K.	100% ordinary share capital
Multitone Records Limited	U.K.	100% ordinary share capital
Phonogenic Limited	U.K.	100% ordinary share capital
Salli Isaak Limited	U.K.	100% ordinary share capital
Siro Live Limited	U.K.	100% ordinary share capital
Sony Music Entertainment Eurodisc Limited	U.K.	100% ordinary share capital
Sony Music Entertainment Ireland Limited	Ireland	100% ordinary share capital
Sony Music Interactive Video Limited	U.K.	100% ordinary share capital
UFA Video & Media (UK) Limited	U.K.	100% ordinary share capital
Vogelcourt Limited	U.K.	100% ordinary share capital
Zomba Records Limited	U.K.	100% ordinary share capital
Direct Joint Ventures		
Syco Entertainment Limited (50%)	U.K.	100% A class share capital
Syco Holdings Limited (50%)	U.K.	50% A class share capital
		100% B class share capital
		100% D class share capital
Sign of The Times Records Limited (51%)	U.K.	51% ordinary share capital
Joint Arrangements		
Now That's What I Call Music LLP (50%)	U.K.	50% membership interest
Associated Undertakings		
Black Butter Limited (49%)	U.K.	100% B class share capital
Lissie & Co Limited (25%)	U.K.	25% ordinary share capital

Notes to the financial statements *(continued)*

14 Investments *(continued)*

Indirect Related Undertakings		
(a) Sony Music Entertainment Eurodisc Limited (100%) subsidiaries		
Ariola Music Limited	U.K.	100% ordinary share capital
Sony Music Entertainment Ariola Records Limited	U.K.	100% ordinary share capital
Sony Music Entertainment Arista Records Limited	U.K.	100% ordinary share capital
(b) Zomba Records Limited (100%) subsidiaries		
Coombe Music International Limited	U.K.	100% ordinary share capital
Micrometro Limited	U.K.	100% ordinary share capital
Music For Nations Limited	U.K.	100% ordinary share capital
Silvertone Records Limited	U.K.	100% ordinary share capital
Zomba Recording Services Limited	U.K.	100% ordinary share capital
(c) Century Media Records Limited (100%) subsidiaries		
Century Media Records GmbH	Germany	100% ordinary share capital
(d) Syco Entertainment Limited (50%) subsidiaries		
Crystal Entertainment Limited (50%)	U.K.	100% ordinary share capital
Maidmetal Limited (50%)	U.K.	100% A class share capital
Maidmetal Entertainment Limited (50%)	U.K.	100% ordinary share capital
Ronagold Limited (50%)	U.K.	100% ordinary share capital
Simco Limited (50%)	U.K.	100% A class share capital
Syco Touring Limited (50%)	U.K.	100% ordinary share capital
Syco Entertainment Inc. (50%)	USA	100% ordinary share capital
(e) Syco Holdings Limited (50%) subsidiaries		
Millforth Limited (50%)	U.K.	100% A class share capital 100% B class share capital 100% C class share capital
Syco Entertainment Limited (25%)	U.K.	100% A class share capital
Indirect Joint Ventures		
Syco Entertainment Limited (50%) joint ventures		
Over The Top Productions Limited (35%)	U.K.	70% ordinary share capital
Triple Strings Limited (25%)	U.K.	50% B class share capital
X F Musical Limited (21%)	U.K.	42.5% A class share capital
X F Musical West End Limited (25%)	U.K.	50% ordinary share capital
Musica Entertainment LLC (25%)	USA	50% membership interest

Notes to the financial statements *(continued)*

15 Debtors

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year:		
Trade debtors	**16,327**	25,766
Amounts owed by group undertakings	**160,037**	215,081
Other debtors	**4,553**	11,982
Taxation and social security	**1,283**	4,491
Royalty advances	**14,331**	17,850
Dividends receivable	**69,849**	68,986
Corporation tax debtor	**2,102**	-
Prepayments and accrued income	**16,341**	6,947
	284,823	351,103
Amounts falling due after more than one year:		
Deferred tax asset	**980**	1,093
Royalty advances	**1,935**	3,135
	2,915	4,228
	287,738	355,331

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

16 Creditors

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year		
Trade creditors	**15,855**	22,983
Amounts owed to group undertakings	**96,060**	95,718
Group relief payable	**7,547**	9,200
Other creditors	**146**	6,618
Royalties and licences	**58,837**	63,757
Corporation tax payable	**-**	3,045
Accruals and deferred income	**22,394**	24,876
	200,839	226,197
Amounts falling due after more than one year		
Loan notes	**33,980**	-
Long term lease incentives	**420**	1,427
	34,400	1,427
	235,239	227,624

Notes to the financial statements *(continued)*

16 Creditors *(continued)*

On 7 July 2015, the company acquired a 50% share in Syco Holdings Limited (representing an indirect additional 25% investment in Syco Entertainment Limited), a new entity created by the company for the purpose of the investment. As part of the consideration paid, Syco Holdings Limited issued loan notes to the value of £33,396,000 comprising of four separate tranches which can be summarised as follows:

Tranche	Principal loan amount £000	Weighted average interest rate	Repayment date
A	12,756	3.50%	March 2021
B	15,308	3.50%	March 2021
C	2,781	3.50%	September 2019
D	2,551	3.50%	March 2021

17 Provisions for liabilities

	Dilapidations Provision £000
At 1 April 2015	952
Charged to leasehold asset	97
At 31 March 2016	**1,049**

The dilapidation obligation is expected to be settled in September 2017.

18 Deferred taxation

	31 March 2016 £000	31 March 2015 £000
Accelerated capital allowances	**(787)**	(897)
Other short term timing differences	**(193)**	122
Undiscounted deferred tax asset	**(980)**	(775)

The movement on deferred tax is as follows:

	31 March 2016 £000	31 March 2015 £000
Asset at start of year	**(775)**	(1,157)
Deferred tax (credit) / charge in profit and loss account for the year	**(205)**	64
Deferred tax – previously recognised in pension surplus	**-**	318
Asset at end of year	**(980)**	(775)

Notes to the financial statements *(continued)*

19 Called up share capital

	31 March 2016 £000	31 March 2015 £000
Allotted, called up and fully paid		
5,251,000 *(2015: 5,251,000)* ordinary shares of £1 each	**5,251**	5,251

20 Artist advance commitments

At 31 March 2016, the company has a total contractual commitment in respect of artist advances and recording costs of £17,286,000 *(2015:* £15,561,000*)* of which £8,684,000 relates to the next financial year *(2015:* £12,963,000*)*.

21 Operating lease commitments

	31 March 2016 £000	31 March 2015 £000
Operating leases which expire:		
Land and buildings		
Within one to five years	**3,650**	3,650
	3,650	3,650
Other		
Within one year	**-**	-
Within one to five years	**71**	71
After five years	**-**	-
	71	71

22 Guarantees

At 31 March 2016 the company had in issue guarantees to NatWest Bank Plc for Customs and Excise for £60,000 in respect of deferred VAT *(2015: £60,000)*.

Notes to the financial statements *(continued)*

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 (either directly or pursuant to the Employer's salary sacrifice arrangements). 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 number of pooled funds managed by Blackrock Investment Management (UK) Limited. The Core Plan has been closed to future accrual with effect from 31 March 2016.

The pension cost is assessed in accordance with the advice of an independent actuary using the projected unit method. At 31 March 2016, the market value of the scheme's assets was £127,736,000 *(2015: £124,601,000)*. 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 2016 amounted to £4,547,000 *(2015: £3,919,000)*.

The company's current service cost for the scheme for the year was £534,000 *(2015: £623,000)*.

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 2016 amounted to £71,000 *(2015: £28,000)*.

A full actuarial valuation of the Sony UK Pension Plan was carried out at 31 March 2015 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 2016	Year ended 31 March 2015
Discount rate	**3.35%**	3.45%
Retail Inflation assumption	**2.80%**	3.00%
Consumer Inflation assumption	**1.80%**	2.00%
Rate of compensation increase	**3.80%**	4.00%
Pension increase assumption (Post 97 pension)	**2.70%**	2.85%
Life expectancy of a male aged 65 at end of year	**23.1**	23.3
Life expectancy of a female aged 65 at end of year	**25.2**	25.8

Notes to the financial statements *(continued)*

23 Pensions *(continued)*

Reconciliation of scheme assets and liabilities:

	Assets £000	Liabilities £000	Total £000
At 1 April 2015	124,601	(107,681)	16,920
Benefits paid	(4,499)	4,499	-
Employer contributions	4,547	-	4,547
Current service cost	-	(534)	(534)
Plan introductions, changes, curtailments and settlements	-	204	204
Plan participants' contributions	31	(31)	-
Interest income / (expense)	-	(3,640)	(3,640)
Remeasurement gains / (losses)			
- Actuarial (gains) / losses	(1,244)	5,893	4,649
- Return on plan assets excluding interest	4,300	-	4,300
Other adjustments	-	393	393
Fair value at 31 March 2016	**127,736**	**(100,897)**	**26,839**
Irrecoverable surplus	(26,839)	-	(26,839)
Net defined benefit asset at 31 March 2016	**100,897**	**(100,897)**	-

Plan asset allocation:

	Year ended 31 March 2016 £000	**Actual Allocation**	Year ended 31 March 2015 £000
Equities	**8,686**	**6.8%**	11,962
Debt securities	**104,233**	**81.6%**	97,188
Other	**14,817**	**11.6%**	15,451
Total	**127,736**	**100.0%**	124,601

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 2016 £000	Year ended 31 March 2015 £000
Current service cost	**534**	623
Interest cost on pension scheme liabilities	**3,640**	3,963
Expected return on plan assets	**(4,300)**	(4,470)
Plan introductions, changes, curtailments and settlements	**(204)**	-
Total	**(330)**	116

Cumulative amount recognised in the statement of comprehensive income:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cumulative amount recognised, beginning of year	**32,516**	28,691
Net actuarial gain	**(4,649)**	(2,673)
Restriction on asset surplus recognised	**11,507**	6,498
Actuarial loss recognised in the pension scheme	**6,858**	3,825
Cumulative amount recognised at the end of the year	**39,374**	32,516

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.

The total pension expense for The Money Purchase Plan for the year amounted to £398,000 *(2015: £217,000)*.

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.

Notes to the financial statements *(continued)*

24 Controlling parties

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

Following the year end date, on 3 August 2016, a dividend of £41,485,000 *(2015: £nil)* was paid to the company by a subsidiary undertaking, Zomba Records Limited.

Following the year end date, on 10 August 2016, the company purchased 100% of the shares of Ministry of Sound Recordings Limited.

26 Related party transactions

On 6 July 2015, Syco Entertainment Limited declared and paid a dividend to Sony Music Entertainment UK Limited of £7,892,112 *(2015: £nil)*. On 31 March 2016, Syco Entertainment Limited declared a further dividend of £863,120 to Sony Music Entertainment UK Limited *(2015: £18,019,924)*. As at 31 March 2016, Syco Entertainment Limited owed Sony Music Entertainment UK Limited £69,848,801 *(2015: £68,985,681)*. Syco Entertainment Limited is a related party as the company owns 75% of the share capital of Syco Entertainment Limited, having acquired an additional 25% share in Syco Entertainment Limited during the year.

Sony Music Entertainment UK Limited provides Simco Limited with certain administrative services. During the year Sony Music Entertainment UK Limited received £3,500,144 *(2015: £9,964,720)* and made payments of £9,338,366 *(2015: £6,409,878)* in relation to the year to 31 March 2016 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 arm's length basis, for the year ended 31 March 2016, the charge was £1,675,295 *(2015: £1,606,841)*. In addition, Simco Limited licenses artists to Sony Music Entertainment and received licensing royalties in return, for the year ended 31 March 2016 this amounted to £3,486,263 *(2015: £9,964,720)*. The amount owed by Simco Limited was £4,034,214 *(2015: £2,359,566)*. Simco Limited is a related party as the company owns 75% of the share capital of Syco Entertainment Limited, which is the immediate parent of Simco Limited.

Sony Music Entertainment UK Limited provides Ronagold Limited with certain administrative services. The net expense from transactions with Ronagold Limited was £13,881 *(2015: £9,685)* during the year. The amount owed to Ronagold Limited by Sony Music Entertainment UK Limited as at 31 March 2016 was £nil *(2015: £nil)*. Sony Music Entertainment UK Limited is a related party as it owns 75% of the share capital of Syco Entertainment Limited which is the immediate parent of Ronagold Limited.

Notes to the financial statements *(continued)*

26 Related party transactions *(continued)*

As at 31 March 2016, Maidmetal Limited owed Sony Music Entertainment UK Limited £150,390 (2015: £400), this comprised of payments made by Sony Music Entertainment UK Limited on behalf of Maidmetal Limited of £176,302 (2015: £400) and funds received by Sony Music Entertainment UK Limited of £25,912 (2015: £nil). Sony Music Entertainment UK Limited is a related party as it owns 75% of the share capital of Syco Entertainment Limited which is the immediate parent of Maidmetal Limited.

Now That's What I Call Music LLP is a joint arrangement in which Sony Music Entertainment UK Limited has a 50% holding. Sony Music Entertainment UK Limited provides Now That's What I Call Music LLP with certain distribution and administrative services during the year. The net income from these transactions with Now That's What I Call Music LLP was £8,212,000 (*2015: £2,840,000*). During the year, Sony Music Entertainment UK Limited did not loan any amount (*2015: £1,988,000*) to Now That's What I Call Music LLP and therefore no amounts were repaid during the year (*2015: £1,988,000*). Sony Music Entertainment UK is also owed its 50% share of undistributed profits from Now That's What I Call Music LLP which is £1,560,500 at 31 March 2016 (*2015: £198,000*). The amount owed to Sony Music Entertainment UK Limited by the LLP at 31 March 2016 was £490,000 (*2015: £nil*). The amount owed to the LLP by Sony Music Entertainment UK Limited at 31 March 2016 was £nil (*2015: £5,367,000*).

Black Butter Limited is a joint venture in which Sony Music Entertainment UK Limited has a 49% holding. Sony Music Entertainment UK recharged administrative and operating costs to Black Butter Limited during the period totalling £2,148,754 (*2015: £194,336*).

The company is exempt from disclosing related party transactions with entities that are wholly owned by the Sony Corporation group of companies.

27 Transition to FRS 102

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

Notes to the financial statements *(continued)*

27 Transition to FRS102 *(continued)*

Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015.

a) Statement of comprehensive income

	Notes	As previously stated	Effect of transition	FRS 102 (as restated)
		Year ended 31 March 2015		
		£000	£000	£000
Turnover	A	258,519	(20,420)	238,099
Cost of sales	A	(113,931)	8,074	(105,857)
Gross Profit		144,588	(12,346)	132,242
Distribution costs	A	(46,435)	4,437	(41,998)
Administrative expenses	A	(60,009)	685	(59,324)
Operating Profit		38,144	(7,224)	30,920
Amounts written off investments		(3,000)	-	(3,000)
Income from shares in group undertakings		68,986	-	68,986
Income from interests in jointly controlled entities	A	-	4,356	4,356
Other interest receivable and other income	A	558	2,868	3,426
Interest payable and similar charges		(378)	-	(378)
Profit on ordinary activities before taxation		104,310	-	104,310
Tax on profit on ordinary activities		(8,221)	-	(8,221)
Profit for the financial year		96,089	-	96,089

A Accounting for Jointly Controlled Entities

Previously under UK GAAP, the company previously classified its interest in Now That's What I Call Music LLP ('NOW') as a joint arrangement, and applied proportional consolidation techniques. Under FRS102, NOW is now classified as a jointly controlled entity, and the company's share of income from NOW is recognised on a net income basis.