Sony Music Entertainment UK Limited

Annual report and financial statements
Registered number 1471066
31 March 2014

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Contents

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2014.

Principal activities

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

Directors

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

Michael Smith
Julie Swidler
Nicholas Gatfield (resigned 26 February 2014)
Edgar Berger
Stuart Bondell
William Rowe

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 2014 amounted to £42,335 *(2013: £35,971)*.

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 employee's 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.

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.

Directors' report *(continued)*

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.

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.

Directors' report *(continued)*

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 16 December 2014

Michael Smith
Director

Strategic report

Strategic report for the year ended 31 March 2014

The directors present their strategic report for the year ended 31 March 2014.

Business review and results

The company's turnover was 16.1% higher in the year ended 31 March 2014, totalling £238,676,000 *(2013: £205,578,000)* and gross profit increased by 15.2% to £123,492,000 *(2013: £107,176,000).*

The company made a profit for the financial year of £17,030,000 *(2013: £11,903,000).* Profits transferred to reserves amounted to £17,030,000 *(2013: 11,903,000).* The directors do not propose any dividends for the financial year *(2013: £nil).*

During the year, the company acquired a 50% holding in Now That's What I Call Music LLP in a joint arrangement with Universal Music Operations Limited. Under a separate deal, the company also acquired a number of European trademarks in relation to the Now That's What I Call Music compilation brand.

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 2014 are £238,676,000 *(2013: £205,578,000)* and £22,247,000 *(2013: £16,114,000)* 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 2014 was 27 days (*2013: 38 days*).

On behalf of the Board on 16 December 2014

M McSmith

Michael Smith
Director

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Sony Music Entertainment UK Limited, comprise:

- the Balance sheet as at 31 March 2014;
- the Profit and loss account and Statement of Total Recognised Gains and Losses 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 is applicable law and United Kingdom Accounting Standards (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.

What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the Annual Report and financial statements 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.

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.

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

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.

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 1, 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 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.

Matthew Mullins

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

17 December 2014

Profit and Loss Account

for the year ended 31 March 2014

	Note	**Year ended 31 March 2014 £000**	Year ended 31 March 2013 £000
Turnover	*2*	**238,676**	205,578
Cost of sales		**(115,184)**	(98,402)
Gross Profit		**123,492**	107,176
Distribution costs		**(43,037)**	(36,074)
Administrative expenses		**(63,281)**	(57,843)
Operating Profit		**17,174**	13,259
Loss on disposal of fixed assets		**-**	(7)
Amounts written off investments	*11*	**(11,381)**	-
Dividends received		**13,486**	-
Interest receivable and similar income	*6*	**4,881**	4,193
Interest payable and similar charges	*7*	**(1,913)**	(1,331)
Profit on ordinary activities before taxation		**22,247**	16,114
Tax on profit on ordinary activities	*8*	**(5,217)**	(4,211)
Profit for the financial year	*18*	**17,030**	11,903

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

	Note	**Year ended 31 March 2014 £000**	Year ended 31 March 2013 £000
Profit for the financial year		**17,030**	11,903
Actuarial loss recognised in the pension scheme	*23*	**(10,558)**	(4,995)
Deferred tax arising on loss in the pension scheme	*23*	**1,361**	66
Total recognised gains relating to the financial year		**7,833**	6,974

The notes on pages 9 to 28 form part of these financial statements.

Balance Sheet
as at 31 March 2014

	Note	31 March 2014 £000	31 March 2013 £000
Fixed assets			
Intangible assets	9	**64,202**	33,054
Tangible assets	10	**6,395**	8,436
Investments	11	**169,431**	169,516
		240,028	211,006
Current assets			
Stock	12	**-**	542
Debtors	13	**244,272**	303,440
Cash at bank and in hand		**10,359**	906
		254,631	304,888
Creditors: amounts falling due within one year	14	**(226,197)**	(258,719)
Net current assets		**28,434**	46,169
Total assets less current liabilities		**268,462**	257,175
Creditors: amounts falling due after more than one year	14	**(2,433)**	(3,439)
Provisions for liabilities	15	**(866)**	(789)
Net assets excluding pension asset		**265,163**	252,947
Net pension asset	23	**1,053**	5,436
Net assets including pension asset		**266,216**	258,383
Capital and reserves			
Called up share capital	17	**5,251**	5,251
Share premium account	18	**45,015**	45,015
Other reserves	18	**43,709**	43,709
Profit and loss account	18	**172,241**	164,408
Total shareholders' funds	22	**266,216**	258,383

The financial statements on pages 7 to 28 were approved by the Board of Directors on 16 December 2014 and signed on its behalf by

William Rowe
Director

Notes to the financial statements *(continued)*

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 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.

Intangible assets

(a) 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.

(b) 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

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.

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.

Joint Arrangements

Sony Music Entertainment UK Limited are accounting for the joint arrangement for the acquisition of the Now That's What I Call Music trademarks under FRS 9 Associates and Joint Ventures and therefore are accounting for their own assets and liabilities measured according to the agreement governing the arrangement.

Notes to the financial statements *(continued)*

2 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 2014 £000	Year ended 31 March 2013 £000
United Kingdom	**179,752**	150,131
Rest of World	**58,924**	55,447
	238,676	205,578

3 Operating profit

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Operating profit stated after charging / (crediting):		
Depreciation of tangible assets - owned	**366**	526
Depreciation of tangible fixed assets – leased	**1,762**	1,756
Amortisation of purchased goodwill	**2,743**	2,743
Amortisation of trademarks	**2,210**	-
Auditors' remuneration:		
- Audit of company's financial statements	**139**	120
Operating lease charges:		
- Plant and machinery	**64**	31
- Rent	**2,666**	2,666
Restructuring costs	**1,455**	693
Exchange (gains) / losses	**(57)**	305

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 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 2014 £000	Year ended 31 March 2013 £000
Aggregate emoluments	**2,882**	3,496
Pension scheme contributions	**102**	102
	2,984	3,598

The total emoluments, including pension contributions of £50,000 *(2013: £50,000)*, of the highest paid director were £1,977,000 *(2013: £2,062,000)*.

Retirement benefits accrue to 3 directors *(2013: 3)* 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 2014	Year ended 31 March 2013
Sales and distribution	**194**	184
Administration	**116**	117
	310	301

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Wages and salaries	**23,374**	20,655
Social security costs	**2,997**	2,676
Other pension costs	**1,068**	923
	27,439	24,254

Notes to the financial statements *(continued)*

6 Interest receivable and similar income

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Bank deposits	7	33
Interest receivable from group companies	4,214	3,389
Other loans	45	49
Pension income (net)	615	722
	4,881	4,193

Intercompany balances earned a rate of interest of 2.02% in the year *(2013: 1.40%)*.

7 Interest payable and similar charges

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Interest payable to group companies	1,913	1,331
	1,913	1,331

Intercompany balances carried a rate of interest of 2.02% in the year *(2013: 1.40%)*.

Notes to the financial statements *(continued)*

8 Tax on profit on ordinary activities

Analysis of tax charge for the year

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Current tax:		
United Kingdom		
Corporation tax at 23% *(2013: 24%)*	**4,354**	4,206
Adjustments in respect of previous years	**(1,013)**	649
	3,341	4,855
Foreign tax		
Adjustments in respect of previous years	**-**	62
Total current tax	**3,341**	4,917
Deferred tax		
Origination / reversal of other timing differences	**1,876**	(706)
Total deferred tax	**1,876**	(706)
Tax on profit on ordinary activities	**5,217**	4,211

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 Recognised Gains and Losses, in accordance with FRS 17 and amounted to a credit of £1,360,800 *(2013: £66,000 credit).*

The tax assessed for the year is lower *(2013: higher)* than the standard rate of corporation tax in the UK of 23% *(2013: 24%)* applied to the pre-tax profit of the company. The differences are explained below:

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Profit on ordinary activities before taxation	**22,247**	16,114
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% *(2013: 24%)*	**5,117**	3,867
Effects of:		
Expenses not deductible for tax purposes	**3,390**	705
Income not taxable	**(3,212)**	-
Accelerated capital allowances	**137**	128
Short term timing differences	**29**	710
Pension cost relief in excess of pension cost charges	**(1,107)**	(1,204)
Adjustments in respect of previous years	**(1,013)**	649
Foreign tax - adjustments in respect of previous years	**-**	62
Total current tax charge	**3,341**	4,917

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 from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was substantively enacted on 2 July 2013.

9 Intangible assets

	Goodwill	Trademarks	Total
	£000	**£000**	**£000**
Cost			
At 1 April 2013	59,108	-	59,108
Additions	-	36,101	36,101
At 31 March 2014	59,108	36,101	95,209
Accumulated amortisation			
At 1 April 2013	26,054	-	26,054
Charge for the year	2,743	2,210	4,953
At 31 March 2014	28,797	2,210	31,007
Net book value			
At 31 March 2014	**30,311**	**33,891**	**64,202**
At 31 March 2013	33,054	-	33,054

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.

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 2013	15,919	1,638	1,573	19,130
Additions	60	7	20	87
Disposals	-	-	-	-
At 31 March 2014	15,979	1,645	1,593	19,217
Accumulated depreciation				
At 1 April 2013	8,217	1,405	1,072	10,694
Charge for the year	1,762	156	210	2,128
Disposals	-	-	-	-
At 31 March 2014	9,979	1,561	1,282	12,822
Net book value				
At 31 March 2014	**6,000**	**84**	**311**	**6,395**
At 31 March 2013	7,702	233	501	8,436

11 Investments

	Joint ventures, joint arrangements and associate undertakings	Subsidiary undertakings	Total
	£000	£000	£000
Cost			
At 1 April 2013	96,506	136,678	233,184
Additions	65	11,231	11,296
Disposals	(150)	-	(150)
At 31 March 2014	96,421	147,909	244,330
Provisions for permanent diminution in value			
At 1 April 2013	-	63,668	63,668
Charge for the year	150	11,231	11,381
Disposals	(150)	-	(150)
At 31 March 2014	-	**74,899**	**74,899**
Net book value			
At 31 March 2014	**96,421**	**73,010**	**169,431**
At 31 March 2013	96,506	73,010	169,516

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

Notes to the financial statements *(continued)*

11 Investments *(continued)*

On 28 February 2014, the company wrote off its investment in Universal Poster Promotions Limited which had a net book value of £150,000 at the time of write-off.

During the year, the company took steps to make Sony Music Entertainment Eurodisc Limited, Conifer Records Limited, Global Television Limited, Hansa Production Limited and Phonogenic Limited dormant with effect from 1 April 2014. As part of this process, shares were issued to Sony Music Entertainment UK on 14 March 2014 for the consideration of £11,231,000. Subsequently, the company wrote down the value of the investments in these five companies to nil.

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.

Name of company	Principal 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
Charriet 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
4 Tunes Music Publishing Limited**	Music publishing
Joint Ventures	
Syco Entertainment Limited (50%)	TV programme format creation and production
Foam Agency Limited (50%)	Intellectual property right research, creation & promotion
Sign of the Times Records Limited (51%)	Recorded music

Notes to the financial statements *(continued)*

11 Investments *(continued)*

Name of company	Principal activity
Joint Arrangements	
Now That's What I Call Music LLP (50%)***	Recorded music
Associated Undertakings	
Fever Media Limited (25%)	TV production
Lissie & Co Limited (25%)	Non-trading

* Not held directly by the company.

^ Companies to be made dormant with effect from 1 April 2014

** The company acquired the remaining 50% share of 4 Tunes with effect from 26 March 2014

*** The company acquired a 50% share of Now That's What I Call Music LLP on 30 April 2013

During the year, the company acquired a 50% share of Now That's What I Call Music LLP for the consideration of £1, fully paid in cash.

12 Stocks

	31 March 2014 £000	31 March 2013 £000
Finished goods and goods held for resale	**-**	542

13 Debtors

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year:		
Royalty advances	**1,642**	2,033
Trade debtors	**8,993**	12,044
Amounts owed by group undertakings	**202,274**	265,033
Other debtors	**14,601**	11,057
Taxation and social security	**6,679**	4,476
Corporation tax debtor	**135**	135
Prepayments and accrued income	**8,791**	5,629
	243,115	300,407
Amounts falling due after more than one year:		
Deferred tax asset	**1,157**	3,033
	244,272	303,440

In addition to the deferred tax asset disclosed above, a deferred tax liability of £263,000 *(2013: £1,624,000)* has been offset against the pension scheme asset. See note 23.

Notes to the financial statements *(continued)*

14 Creditors

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year		
Trade creditors	**16,332**	20,108
Royalties and licences	**60,123**	66,249
Amounts owed to group undertakings	**104,909**	127,669
Group relief payable	**12,685**	8,919
Other creditors	**1,505**	1,426
Accruals and deferred income	**30,643**	34,348
	226,197	258,719
Amounts falling due after more than one year		
Long term lease incentives	**2,433**	3,439
	228,630	262,158

15 Provisions for liabilities

	Dilapidations Provision £000
At 1 April 2013	789
Charged to leasehold asset	77
At 31 March 2014	**866**

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

16 Deferred taxation

	31 March 2014 £000	31 March 2013 £000
Accelerated capital allowances	**(971)**	(1,877)
Other short term timing differences	**(186)**	(1,156)
Undiscounted deferred tax asset	**(1,157)**	(3,033)

Notes to the financial statements *(continued)*

16 Deferred taxation *(continued)*

The movement on deferred tax is as follows:

	31 March 2014 £000	31 March 2013 £000
Asset at start of year	**(3,033)**	(2,327)
Deferred tax charge / (credit) in profit and loss account for the year	**1,876**	(706)
Asset at end of year	**(1,157)**	(3,033)

17 Called up share capital

	31 March 2014 £000	31 March 2013 £000
Allotted, called up and fully paid		
5,251,000 *(2013: 5,251,000)* ordinary shares of £1 each	**5,251**	5,251

18 Reserves

	Share Premium Account £000	Other Reserves £000	Profit and loss account £000	Total £000
Opening balance	45,015	43,709	164,408	253,132
Profit for the financial year	-	-	17,030	17,030
Actuarial loss, net of deferred tax	-	-	(9,197)	(9,197)
Closing balance	**45,015**	**43,709**	**172,241**	**260,965**

19 Artist advance commitments

At 31 March 2014, the company has a total contractual commitment in respect of artist advances and recording costs of £10,845,000 *(2013: £11,271,000)* of which £10,845,000 relates to the next financial year *(2013: £11,271,000)*.

Notes to the financial statements *(continued)*

20 Operating lease commitments

	31 March 2014 £000	31 March 2013 £000
Operating leases which expire:		
Land and buildings		
Within two to five years	**3,650**	3,650
	3,650	3,650
Other		
Within one year	**-**	10
Within two to five years	**71**	-
After five years	**-**	53
	71	63

21 Guarantees

At 31 March 2014 the company had in issue guarantees to NatWest Bank Plc for Customs and Excise for £60,000 in respect of deferred VAT *(2013: £60,000).*

22 Reconciliation of movements in shareholders' funds

	31 March 2014 £000	31 March 2013 £000
Opening shareholders' funds	**258,383**	244,562
Profit for the financial year	**17,030**	11,903
Actuarial loss (net of deferred tax)	**(9,197)**	(4,929)
Premium on shares issued during the year	**-**	6,847
Closing shareholders' funds	**266,216**	258,383

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 pension cost is assessed in accordance with the advice of an independent actuary using the projected unit method. At 31 March 2014, the market value of the scheme's assets was £103,699,000 *(2013: £97,832,000)*. 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 2014 amounted to £10,558,000 *(2013: £4,293,000)*.

The company's current service cost for the scheme for the year was £613,000 *(2013: £557,000)*.

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 2014 amounted to £20,000 *(2013: £24,000)*.

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.

The total pension expense for The Money Purchase Plan for the year amounted to £190,000 *(2013: £181,000)*.

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 2013 and the year end results are based on approximate updates carried out by a qualified independent actuary:

Notes to the financial statements *(continued)*

23 Pensions *(continued)*

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

	Year ended 31 March 2014	Year ended 31 March 2013
Discount rate	**4.30%**	4.40%
Retail Inflation assumption	**3.25%**	3.25%
Consumer Inflation assumption	**2.25%**	2.25%
Expected rate of return on plan assets	**5.50%**	5.50%
Rate of compensation increase	**4.25%**	4.25%
Pension increase assumption (Post 97 pension)	**3.00%**	3.00%
Life expectancy of a male aged 65 at end of year	**28.2**	27.8
Life expectancy of a female aged 65 at end of year	**30.7**	30.6

Reconciliation of present value of scheme contribution:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Benefit obligation, beginning of year	**90,772**	75,212
Current service cost	**613**	557
Interest cost	**3,938**	3,604
Plan participants' contributions	**28**	27
Actuarial loss	**1,538**	15,269
Gross benefits paid	**(3,669)**	(3,230)
Administration expenses	**(610)**	(667)
Past service cost	**939**	-
Benefit obligation, end of year	**93,549**	90,772

Reconciliation of present value of scheme assets:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Fair value, beginning of year	**97,832**	88,576
Expected return	**5,379**	4,883
Actuarial gain	**540**	3,950
Employer contributions	**4,199**	4,293
Plan participants' contribution	**28**	27
Gross benefits paid	**(3,669)**	(3,230)
Administration expenses	**(610)**	(667)
Fair value of plan assets, end of year	**103,699**	97,832

Notes to the financial statements *(continued)*

23 Pensions *(continued)*

Plan asset allocation:

	Year ended 31 March 2014 £'000	**Actual Allocation**	Year ended 31 March 2013 £'000
Equities	**27,895**	**26.9%**	43,763
Debt securities	**72,278**	**69.7%**	53,915
Other	**3,526**	**3.4%**	154
Total	**103,699**	**100.0%**	97,832

The funded status as at 31 March 2014, and the related amounts recognised in the balance sheet, were as follows:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Fair value of plan assets	**103,699**	97,832
Benefit obligations	**(93,549)**	(90,772)
Funded status	**10,150**	7,060
Unrecoverable surplus	**(8,834)**	-
Net amount recognised, end of year	**1,316**	7,060
Deferred tax liability	**(263)**	(1,624)
Surplus, end of year	**1,053**	5,436

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

Analysis of the amount that is charged to profit or loss:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Current service cost	**613**	557
Interest cost on pension scheme liabilities	**3,938**	3,604
Expected return on plan assets	**(5,379)**	(4,883)
Past service cost	**939**	-
Restricted return on plan assets	**(726)**	-
Total	**(615)**	(722)

The company expects to contribute £4,212,000 to the pension plan in the next financial year.

Notes to the financial statements *(continued)*

23 Pensions *(continued)*

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Cumulative amount recognised, beginning of year	**18,133**	13,138
Net actuarial loss	**998**	11,319
Restriction on asset surplus recognised	**9,560**	(6,324)
Actuarial loss recognised in the pension scheme	**10,558**	4,995
Cumulative amount recognised at the end of the year	**28,691**	18,133

Analysis of pension surplus for current year and previous years:

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Plan assets	**103,699**	97,832	88,576	79,132	73,841
Defined benefit obligation	**(93,549)**	(90,772)	(75,212)	(69,539)	(69,967)
Funded status	**10,150**	7,060	13,364	9,593	3,874
Experience adjustment on the pension obligation	**(23)**	(4,286)	(422)	1,780	1,673
Experience adjustment on plan assets	**540**	3,950	4,762	801	13,907
Total amount recognised in STRGL	**(10,558)**	(4,995)	(4,125)	(556)	6,835

24 Immediate and ultimate holding company

The company's immediate parent undertaking is Sony Music Entertainment 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.

Notes to the financial statements *(continued)*

25 Post balance sheet events

The directors of Sony Music Entertainment UK Limited are not aware of any post balance sheet events that would impact upon these financial statements.

26 Related party transactions

Sony Music Entertainment UK Limited has previously provided Fever Media Limited with certain administrative services. During the year, Sony Music Entertainment UK Limited did not receive cash or make payments in relation to the year to 31 March 2014 on behalf of Fever Media Limited. The net income from transactions with Fever Media Limited was £nil during the year *(2013: £nil)*. Fever Media Limited is a related party, as the company owns 25% of the share capital of Fever Media Limited. During the year ended 31 March 2014, steps were undertaken to strike off Fever Media Limited from the company register, pending final confirmation from Companies House.

Sony Music Entertainment UK Limited provides Simco Limited with certain administrative services. During the year Sony Music Entertainment UK Limited received £8,284,315 (*2013: £7,722,094*) and made payments of £8,654,096 (*2013: £10,781,298*) in relation to the year to 31 March 2014 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, for the year ended 31 March 2014, the charge was £1,541,916 (*2013: £1,401,058*). In addition, Simco Limited licenses artists to Sony Music Entertainment and received licensing royalties in return, for the year ended 31 March 2014 this amounted to £8,284,315 *(2013: £7,722,094)*. The amount owed by Simco Limited was £7,680,008 *(2013: £10,222,669)*. 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.

Sony Music Entertainment UK Limited provides Ronagold Limited with certain administrative services. The net expense from transactions with Ronagold Limited was £12,634 *(2013: £12,563)* during the year. The amount owed to Ronagold Limited by Sony Music Entertainment UK Limited as at 31 March 2014 was £nil *(2013: £2,493)*. 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 £597,325 *(2013: £698,625)* 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 2014 *(2013: £nil)*. On 26 March 2014, Sony Music Entertainment UK Limited purchased the remaining 50% holding in 4 Tunes Music Publishing Limited, thus becoming a subsidiary undertaking of Sony Music Entertainment UK Limited.

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 £nil *(2013: 48,324)*. During the year ended 31 March 2014, steps were undertaken to strike off Foam Agency Limited from the company register, pending final confirmation from Companies House.

Now That's What I Call Music LLP is a joint arrangement in which Sony Music Entertainment UK Limited has acquired 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 £3,112,000. During the year, Sony Music Entertainment UK Limited has loaned an amount of £2,200,000 to Now That's What I Call Music LLP, of which £212,000 has been repaid by year end therefore the amount owed by Now That's What I Call Music LLP was £1,988,000 at 31 March 2014. Sony Music Entertainment UK is also owed its 50% share of undistributed profits from Now That's What I Call Music LLP which is £101,500 at 31 March 2014.

Notes to the financial statements *(continued)*

26 Related party transactions *(continued)*

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.