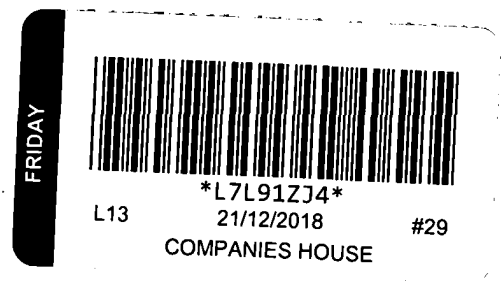


Registration number: 02019657

Sony Music Entertainment International Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2018



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Strategic Report for the Year Ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

Principal activity

The principal activity of the company is that of an investment holding company. It provides high level consultancy services and advice in the areas of management, marketing, production, export, copyright, financing and other commercial and industrial areas to the Sony Music Entertainment companies operating within the music and entertainment industry in Europe, Africa, Asia, Australasia and Latin America. Its principal activities also include the production and exploitation of musical recordings.

Business review and results

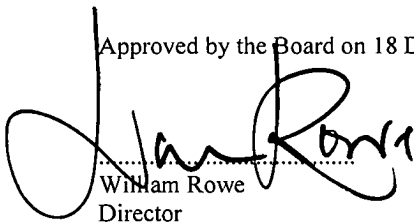
The company's turnover during the year ended 31 March 2018 was £28,917,000 (2017 : £36,361,000) and Gross profit was £23,568,000 (2017 : £29,184,000)

The company made a profit for the financial year of £269,100,000 (2017 : £36,605,000). The company was in a net asset position of £568,792,000 (2017 : £299,692,000) at 31 March 2018.

Principal risks and uncertainties

The company and its subsidiaries are engaged in the music and entertainment industry which is undergoing a period of rapid change with a move away from distribution via physical media towards broader exploitation through digital and other business models. The directors believe that the company and its subsidiaries are well placed to face the challenges and to take advantage of the opportunities which exist in the markets where they operate.

Approved by the Board on 18 December 2018 and signed on its behalf by:



William Rowe
Director

Directors' Report for the Year Ended 31 March 2018

The directors present their report and the audited financial statements of the company for the year ended 31 March 2018.

Dividends

The directors do not recommend a dividend payment be made in respect of the financial year ended 31 March 2018 (2017: £31,790,000).

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

William Rowe

Stuart Levene

Julie Swidler

James Mullan (appointed 1 October 2017)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2018 (2017: none).

Company Secretary

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

Employees

The company is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of sex, race, national origin, religion, colour, disability, sexual orientation, age or marital status.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its continuing success.

The company encourages the involvement of employees by means of company and team meetings, internal communications and opinion surveys. Employee development and discretionary bonus schemes are also in operation for all staff to develop their understanding of the business' performance and encourage further contribution to the business.

Directors' Report for the Year Ended 31 March 2018 (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.

Charitable donations

The company made no charitable donations during the financial year (2017: £2,000).

Directors' Report for the Year Ended 31 March 2018 (continued)

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report for the Year Ended 31 March 2018 (continued)

Disclosure of information to the auditors

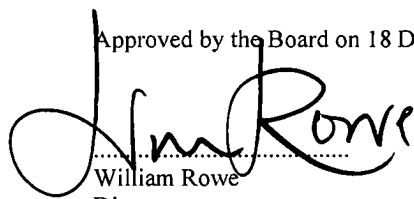
The directors who held office at the date of approval of this directors' report confirm that:

- 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.

Reappointment of 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 on 18 December 2018 and signed on its behalf by:



William Rowe
Director

Independent Auditors' Report to the Members of Sony Music Entertainment International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sony Music Entertainment International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditors' Report to the Members of Sony Music Entertainment International Limited (continued)

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of Sony Music Entertainment International Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

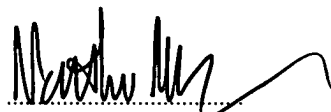
Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

St Albans

18 December 2018

Profit and Loss Account for the Year Ended 31 March 2018

	Note	2018 £ 000	2017 £ 000
Turnover	4	28,917	36,361
Cost of sales		<u>(5,349)</u>	<u>(7,177)</u>
Gross profit		23,568	29,184
Distribution costs		(1,202)	(2,435)
Administrative expenses		(23,411)	(26,736)
Other operating gains/(losses)	5	<u>11</u>	<u>-</u>
Operating (loss)/profit	6	(1,034)	13
Income from shares in group undertakings		120,619	31,651
Interest receivable and similar income	9	-	5
Amounts written off investments	13	(12,261)	(7,202)
Reversal of prior year impairment losses	13	-	20,113
Interest payable and similar expenses		<u>(5,666)</u>	<u>(9,646)</u>
Profit before taxation		101,658	34,934
Tax on profit	11	<u>167,442</u>	<u>1,671</u>
Profit for the financial year		<u><u>269,100</u></u>	<u><u>36,605</u></u>

The above results were derived from continuing operations.

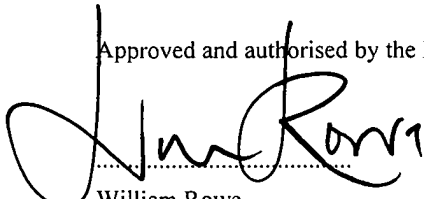
Statement of Comprehensive Income for the Year Ended 31 March 2018

	2018 £ 000	2017 £ 000
Profit for the financial year	<u>269,100</u>	<u>36,605</u>
Total comprehensive income for the financial year	<u><u>269,100</u></u>	<u><u>36,605</u></u>

Registration number: 02019657
Balance Sheet as at 31 March 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Tangible assets	12	7	10
Investments	13	1,309,848	415,692
Debtors: amounts falling due after more than one year	14	<u>52,619</u>	<u>107</u>
		<u>1,362,474</u>	<u>415,809</u>
Current assets			
Debtors: amounts falling due within one year	14	126,333	19,471
Creditors: amounts falling due within one year	15	<u>(920,015)</u>	<u>(135,588)</u>
Net current liabilities		<u>(793,682)</u>	<u>(116,117)</u>
Net assets		<u>568,792</u>	<u>299,692</u>
Capital and reserves			
Called up share capital	17	46,071	46,071
Other reserves		86,648	86,648
Retained earnings		<u>436,073</u>	<u>166,973</u>
Total equity		<u>568,792</u>	<u>299,692</u>

Approved and authorised by the Board on 18 December 2018 and signed on its behalf by:


.....
William Rowe
Director

Statement of Changes in Equity for the Year Ended 31 March 2018

	Called up Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2017	46,071	86,648	166,973	299,692
Profit for the financial year	-	-	269,100	269,100
At 31 March 2018	<u>46,071</u>	<u>86,648</u>	<u>436,073</u>	<u>568,792</u>

	Called up Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2016	46,071	192,757	86,648	(30,599)	294,877
Profit for the financial year	-	-	-	36,605	36,605
Dividends	-	-	-	(31,790)	(31,790)
Other share premium reserve movements	-	(192,757)	-	192,757	-
At 31 March 2017	<u>46,071</u>	<u>-</u>	<u>86,648</u>	<u>166,973</u>	<u>299,692</u>

Notes to the Financial Statements for the Year Ended 31 March 2018

1 General information

Sony Music Entertainment International Limited ('the company') is an investment holding company and has the principal activities of providing high level consultancy services and advice in the areas of management, marketing, production, export, copyright, financing and other commercial and industrial areas to the Sony Music Entertainment companies operating within the music and entertainment industry in Europe, Africa, Asia, Australasia and Latin America as well as the production and exploitation of musical recordings.

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

9 Derry Street
London
W8 5HY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

The individual financial statements of Sony Music Entertainment International 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.

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.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

2 Accounting policies (continued)

Financial reporting standard 102 - reduced disclosure exemptions

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

- The requirements of Section 4 Statement of Financial Positions paragraph 4.12(a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sony Corporation as at 31 March 2018 and these financial statements may be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

Going concern

The nature of the business is primarily investment in Sony Music Entertainment subsidiaries across Europe. The directors are satisfied these investments will provide sufficient income in the future and therefore have prepared the financial statements on a going concern basis.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Turnover and revenue recognition

Turnover represents royalty income receivable and amounts, excluding value added tax, recharged to group companies to which consultancy services and advice are provided and is recognised as the service is performed

Royalties

Royalty income is included on a receivable basis calculated on sales of 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.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

2 Accounting policies (continued)

Pensions

The company participates in the Sony Music Entertainment UK Pension Plan, a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reliable basis so accounts for the scheme on a defined contribution basis. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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 for the Year Ended 31 March 2018 (continued)

2 Accounting policies (continued)

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%

The cost of PCs and peripherals are expensed as incurred.

Investments

(i) Investment in subsidiary company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(ii) Investment in associate

Investment in an associate is held at cost less accumulated impairment losses.

(iii) Market investments

Market Investments are held at fair value where the fair value can be measured reliably.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

2 Accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

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.

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.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

3 Critical accounting judgements and estimation uncertainty

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

The directors have concluded that the only material judgements made during the preparation of the financial statements have been the determination of the carrying values of the investments.

4 Turnover

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

A geographical analysis of the company's turnover for the year is as follows:

	2018	2017
	£ 000	£ 000
UK	2,762	3,935
Rest of world	<u>26,155</u>	<u>32,426</u>
	<u><u>28,917</u></u>	<u><u>36,361</u></u>

5 Other operating gains/(losses)

The analysis of the company's other operating gains/(losses) for the year is as follows:

	2018	2017
	£ 000	£ 000
Revaluation of investment	907,143	-
Royalty payable to other group undertakings	(907,143)	-
Miscellaneous other operating gains	16	-
Miscellaneous other operating losses	<u>(5)</u>	<u>-</u>
	<u><u>11</u></u>	<u><u>-</u></u>

The revaluation of investment relates to the company's investment in Spotify Technology S.A. The company has recognised a corresponding royalty payable to other group undertakings entitled to additional royalties in respect of this gain.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

6 Operating profit

Arrived at after charging/(crediting)

	2018	2017
	£ 000	£ 000
Depreciation expense	3	60
Auditors fees payable to the company's auditor	16	-
Staff costs	10,327	17,539
Foreign exchange (gains)/losses	<u>(1,011)</u>	<u>1,983</u>

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

7 Directors' remuneration

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

	2018	2017
	£ 000	£ 000
Aggregate emoluments	782	4,683
Pension scheme contributions	<u>68</u>	<u>21</u>
	<u>850</u>	<u>4,704</u>

In respect of the highest paid director:

	2018	2017
	£ 000	£ 000
Remuneration	<u>561</u>	<u>3,750</u>

The emoluments of the remaining two directors are borne by other group companies and not recharged to the company. These two directors did not receive any emoluments in respect of their services to the company (2017: £nil).

In addition to the remuneration above, during the year payments totalling £4,701,338 were made to two of the previous directors as compensation for loss of office.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£ 000	£ 000
Wages and salaries	8,983	15,863
Social security costs	820	1,158
Pension costs, defined contribution scheme	<u>524</u>	<u>518</u>
	<u>10,327</u>	<u>17,539</u>

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

	2018	2017
	No.	No.
Administration and support	<u>94</u>	<u>104</u>

9 Interest receivable and similar income

	2018	2017
	£ 000	£ 000
Other finance income	<u>-</u>	<u>5</u>

10 Interest payable and similar expenses

	2018	2017
	£ 000	£ 000
Interest expense on other finance liabilities	491	475
Foreign exchange loss	<u>5,176</u>	<u>9,171</u>
	<u>5,667</u>	<u>9,646</u>

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

11 Taxation

Tax charged/(credited) in the income statement

	2018	2017
	£ 000	£ 000
Current taxation		
UK corporation tax	(114,931)	(1,923)
UK corporation tax adjustment to prior periods	-	221
	<u>(114,931)</u>	<u>(1,702)</u>
Foreign tax	2	5
Total current income tax	<u>(114,929)</u>	<u>(1,697)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(58,691)	19
Arising from changes in tax rates and laws	6,178	7
Total deferred taxation	<u>(52,513)</u>	<u>26</u>
Tax credit in the income statement	<u>(167,442)</u>	<u>(1,671)</u>

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%).

The differences are reconciled below:

	2018	2017
	£ 000	£ 000
Profit before tax	<u>101,658</u>	<u>34,934</u>
Corporation tax at standard rate	19,315	6,987
Effect of revenues exempt from taxation	(195,277)	(10,353)
Effect of expense not deductible in determining taxable profit (tax loss)	2,340	1,462
Deferred tax expense relating to changes in tax rates or laws	6,178	4
Increase in UK and foreign current tax from adjustment for prior periods	-	221
Tax increase from effect of capital allowances and depreciation	-	3
Tax increase arising from overseas tax suffered/expensed	2	5
Total tax credit	<u>(167,442)</u>	<u>(1,671)</u>

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

After the balance sheet date, the Company sold 50% of its shares in Spotify. The Company will recognise the gain in the 31 March 2019 accounts and current tax will be booked on it in that year at the prevailing tax rate.

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

12 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 April 2017	113	507	620
At 31 March 2018	113	507	620
Depreciation			
At 1 April 2017	113	497	610
Charge for the year	-	3	3
At 31 March 2018	113	500	613
Carrying amount			
At 31 March 2018	-	7	7
At 31 March 2017	-	10	10

13 Investments

	Market Investments £ 000	Associate undertakings £ 000	Subsidiary undertakings £ 000	Total £ 000
Subsidiaries and Market investments				
Cost or valuation				
At 1 April 2017	10,187	-	535,953	546,140
Revaluation	907,143	-	-	907,143
Disposals	-	-	(2,928)	(2,928)
At 31 March 2018	917,330	-	533,025	1,450,355
Provision				
At 1 April 2017	-	-	130,448	130,448
Provision	-	-	12,261	12,261
Eliminated on disposals	-	-	(2,202)	(2,202)
At 31 March 2018	-	-	140,507	140,507
Carrying amount				
At 31 March 2018	917,330	-	392,518	1,309,848
At 31 March 2017	10,187	-	405,505	415,692

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

13 Investments (continued)

Market investments

Market investments relate to the company's investment in Spotify Technology S.A. In the prior year the investment was held at cost. On 3 April 2018 Spotify Technology S.A. listed on the New York Stock Exchange and the investment has been revalued to fair value.

Investments in subsidiary undertakings

The directors believe that the carrying value of the investments is supported by their underlying business and assets. During the year ended 31 March 2018 the company made an additional provision against its investment in subsidiaries. The reason for this impairment was to write down the investment to its net book value.

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Sony Music Entertainment Austria GmbH	Mariahilfer Str. 77-79, 1060 Wien Austria	ordinary share capital	100%	100%
Sony Music Entertainment Belgium N.V.	Hooikaai 55, 1000 Brussels Belgium	ordinary share capital	99%	99%
Sony Music Entertainment Czech Republic Sro	Palackeho 1, 110 00, Prague 1 Czech Republic	ordinary share capital	80%	80%
Sony Music Entertainment Denmark AS	Vognmagergade 7, 6 sal, 1120, Copenhagen K Denmark	ordinary share capital	100%	100%
Sony Music Entertainment Finland OY	Tallberginkatu 2 A, 00180 Helsinki Finland	ordinary share capital	100%	100%
Sony Music Entertainment Germany GmbH	Balanstr. 73, Haus 31, 81541 München Germany	ordinary share capital	0%	100%
Sony Music Entertainment Greece S.A.	Avenue Amarousiou-Halandriou 18-20, Marousi 15125 Athens Greece	ordinary share capital	99.99%	99.99%

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

13 Investments (continued)

Sony Music Entertainment Hungary KFT	Level u.4, H-1023 Budapest Hungary	ordinary share capital	100%	100%
Sony Music Entertainment Italy SPA	via Carlo Imbonati, 22 20158, Milano Italy	ordinary share capital	100%	100%
Sony Music Entertainment Norway AS	Gjerdrumsvei 10A, 0402 Oslo Norway	ordinary share capital	100%	100%
Sony Music Entertainment Poland Sp. Z.O.O.	Ul. Choralna 14, 02-879 Warsaw Poland	ordinary share capital	100%	100%
Sony Music Entertainment Portugal LDA	Av. Torre de Belem, N 19, 1º DTO. 1400-342 Lisboa Portugal	ordinary share capital	100%	100%
Sony Music Entertainment Sweden AB	Box 3187, SE 10363 Stockholm Sweden	ordinary share capital	100%	100%
Sony Music Entertainment Switzerland GmbH	Letzigraben 89, CH-8003 Zurich Switzerland	ordinary share capital	100%	100%
Sony Music Entertainment Turkey AS	Cumhuriyet Cad Pegasus Evi No:48/2B Elmadağ 34367 Istanbul Turkey	ordinary share capital	100%	99.96%
Sony Music Entertainment France SAS	52/54, rue de Chateaudun, 75009 Paris France	ordinary share capital	100%	100%
Sony Music Entertainment International Services GmbH	Balanstr. 73, Haus 31, 81541 München Germany	ordinary share capital	100%	100%

Indirect Related Undertakings

(a) Sony Music Entertainment Denmark AS (100%) subsidiaries

Disco: wax	Vognmagergade 7, 6 sal, 1120, Copenhagen K Denmark	ordinary share capital	48%	48%
Mermaid Records ApS	Vognmagergade 7, 6 sal, 1120, Copenhagen K, Denmark	ordinary share capital	100%	51%
OneSeven Music ApS	Vognmagergade 7, 6 sal, 1120, Copenhagen K, Denmark	ordinary share capital	48%	0%

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

13 Investments (continued)

(b) Sony Music Entertainment Finland OY (100%) subsidiaries

A-Duuri OY (20%)	Kaivokatu 14 B 2, 94100 Kemi, Finland	ordinary share capital	20%	20%
Sakara-Tuotanto OY (39%)	PB 799, 33010 Tampere, Finland	ordinary share capital	39%	39%
Auraviihde OY (100%)	Aurakatu 6, 20100 Turku, Finland	ordinary share capital	0%	100%

(c) Sony Music Entertainment International Services GmbH (100%) subsidiaries

Sony Music Entertainment Germany GmbH	Balanstr. 73, Haus München, Germany	31, 81541 ordinary share capital	100%	0%
105 Music GmbH	Balanstr. 73, Haus München, Germany	31, 81541 ordinary share capital	100%	100%
B1 Recordings GmbH	Balanstr. 73, Haus München, Germany	31, 81541 ordinary share capital	51%	51%
Bucardo-Kunst und Kulturproduktionen GmbH	Pleistemühlenweg 194, Münster, Germany	48157 ordinary share capital	100%	100%
DEAG Classics AG	Potsdamer Str. 58, Germany	10785 Berlin, ordinary share capital	49%	49%
Four Music Productions GmbH	Schlegelstr. 26 B, Germany	10115 Berlin, ordinary share capital	100%	100%
Hansa Music Entertainment GmbH	Schlegelstr. 26 B, Germany	10115 Berlin, ordinary share capital	100%	100%
MEDIA KULTUR KÖLN Projektentwicklungs- und Veranstaltungen GmbH	Im Mediapark 7, Germany	50670 Köln, ordinary share capital	30%	30%
New Talents AG	Balanstr. 73, Haus München, Germany	31, 81541 ordinary share capital	100%	100%

(d) Sony Music Entertainment Italy SPA (100%) subsidiaries

Heinz Music SRL	Rippa di Porta, Ticin Milano, Italy	63/A-20 123 ordinary share capital	50%	50%
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Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

13 Investments (continued)

(e) Sony Music Entertainment Sweden AB (100%) subsidiaries

Family Tree Music AB	Rådmanngatan 74, 113 Stockholm, Sweden	60 ordinary share capital	100%	One	100%
TGR Music Group AB	Erikslundsgatan 9, 126 Hagersten, Stockholm, Sweden	32 ordinary share capital	25%		0%
All Ears Music AB (Dormant company)	Box 3187, SE 10363, Stockholm, Sweden	ordinary share capital	100%		0%

(f) Sony Music Entertainment Switzerland GmbH (100%) subsidiaries

Phononet AG	Baslerstrasse 30, CH-8048 Zurich, Switzerland	ordinary share capital	33.33%		33.33%
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(g) Sony Music Entertainment France SAS (100%) subsidiaries

AVREP SA	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	98.8%		98.8%
Les Vergers SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	100%		100%
Sa Majeste Productions SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	67%		67%
WATI B SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	30%		30%
WLG SAS	173-175, rue due Faubourg Poissonnière, 75009 Paris, France	ordinary share capital	33.33%		33.33%

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

14 Debtors

	Note	2018 £ 000	2017 £ 000
<i>Amounts falling due within one year:</i>			
Trade debtors		304	655
Amounts owed by group undertakings		6,198	13,232
Other debtors		5	758
Taxation and social security		-	19
Royalty advances		100	668
Group relief debtor	11	116,977	1,913
Prepayments and accrued income		<u>2,749</u>	<u>2,226</u>
		<u>126,333</u>	<u>19,471</u>
<i>Amounts falling due after more than one year:</i>			
Deferred tax asset		52,619	107

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

15 Creditors

		2018 £ 000	2017 £ 000
<i>Amounts falling due within one year:</i>			
Trade creditors		11	-
Amounts owed to group undertakings		908,634	125,852
Other creditors		-	43
Royalties and licences		3,927	3,457
Accruals and deferred income		<u>7,443</u>	<u>6,236</u>
		<u>920,015</u>	<u>135,588</u>

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

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

16 Deferred taxation

The movement on deferred tax is as follows:

	2018	2017
	£ 000	£ 000
Asset at start of year	107	133
Deferred tax credit in profit and loss account	52,512	(26)
Asset at end of year	52,619	107

17 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	46,071	46,071	46,071	46,071

18 Parent and ultimate parent undertaking

The company's immediate holding company is Sony Music Entertainment UK Holdings Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is Sony Corporation which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Sony Corporation financial statements can be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

19 Pensions

The company participates in the Sony Music Entertainment UK Pension Plan, a defined benefit pension scheme. The directors are unable to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and accounts for the scheme on a defined contribution basis.

The assets of the pension plan are held separately from the assets of any group company. The latest actuarial valuation of the plan was carried out as at year ended 31 March 2018. Details of this valuation are included in the financial statements of Sony Music Entertainment UK Limited.

The total cost of pension benefits for all schemes, charged to the profit and loss account, amounted to £627,053 (2017: £518,000)

Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

20 Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group. The company has no other related party transactions.