

PIAS HOLDING (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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PIAS HOLDING (UK) LIMITED

COMPANY INFORMATION

Directors	K Gates N Hartley M Lambot
Company secretary	N Hartley
Registered number	03592210
Registered office	1 Bevington Path London SE1 3PW
Independent auditors	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Cumberland House 15-17 Cumberland Place Southampton Hampshire SO15 2BG
Bankers	Coutts & Co 440 Strand London WC2R 0QS

PIAS HOLDING (UK) LIMITED

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PIAS HOLDING (UK) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present the strategic report for PIAS Holding (UK) Limited for the year ended 31 December 2017.

Principal Activity

PIAS Holding (UK) Limited acts as a managing and parent company providing services to the Group companies. The consolidated accounts represent the performance of the company and all of its subsidiaries. The principal activities of the Group during the year was that of a record label engaged in the production and exploitation of sound recordings and a provider of sales, marketing and distribution services to other record labels.

Business Review

PIAS had a successful year with a growth in both physical and digital turnover due to a strong release schedule and a significant growth in streaming revenues. The Group also acquired the business of Inertia Pty Limited in Australia. Total turnover increased by 18% compared to 2016 to reach £35.5million. Digital streaming revenues continue to grow especially in relation to the catalogue which saw the total digital turnover increase by 24% to £15.1million compared to £12.2million in 2016 and, for the first time, matching physical sales. Revenues from outside the UK and, in particular, in Europe remain a significant part of the turnover. The latter accounted for 36% of turnover at £12.8million with the UK representing 45% at £16.0million.

The Group's Gross Profit was up by £2.8million to £18.6million compared to £15.8million in 2016 reflecting the strong turnover growth plus the acquisition of Inertia.

Distribution costs increased reflecting the large growth in turnover and Administrative expenses increased with the acquisition of Inertia.

The Group's Operating Profit was therefore £2.63million compared to £2.62million in 2016.

Principal risks and uncertainties

The Group continues to seek and sign new artists and retain its existing artist roster as well as offering sales, marketing and distribution services to other record labels. On the former, the Group's performance is dependent on the success of its new signings and the continued growth of our large catalogue. Overall, the Group's turnover will be affected by the decline in physical sales and the growth in digital streaming revenues. As an international business, we will benefit from the growth of streaming in Europe and, in particular, in other emerging markets.

PIAS HOLDING (UK) LIMITED

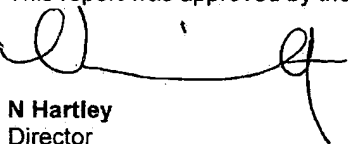
**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key Performance Indicators

The Group uses a number of performance indicators to monitor and manage the business effectively. The Group's financial and non-financial key performance indicators for the year ended 31 December 2017, together with comparatives for the year ended 31 December 2016, are set out below:

	2017 £000	2016 £000
Total turnover	35,493	30,065
Total Operating Profit	2,629	2,616
Average number of employees	140	114

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



N Hartley
Director

Date: 21/12/18

PIAS HOLDING (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,002k (2016 - £2,124k).

Directors

The directors who served during the year were:

K Gates
N Hartley
M Lambot

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PIAS HOLDING (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Financial risk management

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

Price risk

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

Liquidity risk

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

Interest rate risk

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

Disclosure of information to auditors

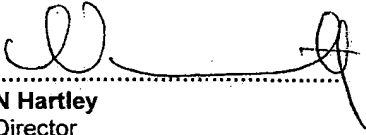
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditors

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

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



.....
N Hartley
Director

Date: 21/2/18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIAS HOLDING (UK) LIMITED

Opinion

We have audited the financial statements of PIAS Holding (UK) Limited (the 'company') for the year ended 31 December 2017 which comprise the Consolidated statement of comprehensive income, Consolidated and parent company balance sheets, Consolidated and parent company statement of changes in equity, Consolidated statement of cash flows, Consolidated analysis of net debt and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- 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 group's or the parent 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 AUDITOR'S REPORT TO THE MEMBERS OF PIAS HOLDING (UK) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's or the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIAS HOLDING (UK) LIMITED (CONTINUED)

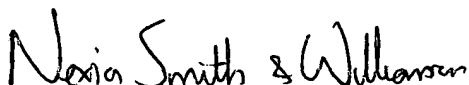
Auditor's responsibilities for the audit of the financial statements

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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



Andrew Edmonds (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants
Statutory Auditor

Cumberland House
15-17 Cumberland Place
Southampton
Hampshire
SO15 2BG

Date:

21/12/18

PIAS HOLDING (UK) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	As restated 2016 £000
Turnover	4	35,498	30,065
Cost of sales		(16,870)	(14,229)
Gross profit		18,628	15,836
Distribution costs		(4,268)	(3,556)
Administrative expenses		(11,731)	(9,664)
Operating profit	5	2,629	2,616
Interest receivable and similar income	9	10	3
Interest payable and expenses	10	(629)	(470)
Profit before taxation		2,010	2,149
Tax on profit	11	(43)	(27)
Profit for the financial year		1,967	2,122
Profit for the year attributable to:			
Non-controlling interests		(35)	(2)
Owners of the parent Company		2,002	2,124
		1,967	2,122

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 16 to 41 form part of these financial statements.

PIAS HOLDING (UK) LIMITED
REGISTERED NUMBER:03592210

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	13	2,376	1,529
Tangible assets	14	1,216	1,042
Investments	15	20	20
		<u>3,612</u>	<u>2,591</u>
Current assets			
Stocks	17	1,665	1,987
Debtors: amounts falling due within one year	18	213,842	168,783
Cash at bank and in hand	19	1,012	204
		<u>216,519</u>	<u>170,974</u>
Creditors: amounts falling due within one year	20	(230,201)	(187,615)
Net current liabilities		<u>(13,682)</u>	<u>(16,641)</u>
Total assets less current liabilities		<u>(10,070)</u>	<u>(14,050)</u>
Creditors: amounts falling due after more than one year	21	(2,013)	-
Provisions for liabilities			
Net liabilities		<u><u>(12,083)</u></u>	<u><u>(14,050)</u></u>

PIAS HOLDING (UK) LIMITED
REGISTERED NUMBER:03592210

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Capital and reserves			
Called up share capital	23	2,500	2,500
Other reserves	24	17	17
Profit and loss account	24	(14,600)	(16,432)
Equity attributable to owners of the parent Company		<u>(12,083)</u>	<u>(13,915)</u>
Non-controlling interests		-	(135)
Shareholders' Deficit		<u><u>(12,083)</u></u>	<u><u>(14,050)</u></u>

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



N Hartley

Director 21/12/18


The notes on pages 16 to 41 form part of these financial statements.

PIAS HOLDING (UK) LIMITED
REGISTERED NUMBER:03592210

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	14	1,150	1,041
Investments	15	1,748	309
		<u>2,898</u>	<u>1,350</u>
Current assets			
Debtors: amounts falling due within one year	18	26,929	15,748
		<u>26,929</u>	<u>15,748</u>
Creditors: amounts falling due within one year	20	(38,474)	(25,881)
Net current liabilities		<u>(11,545)</u>	<u>(10,133)</u>
Total assets less current liabilities		<u>(8,647)</u>	<u>(8,783)</u>
Net liabilities		<u>(8,647)</u>	<u>(8,783)</u>
Capital and reserves			
Called up share capital	23	2,500	2,500
Profit and loss account	24	(11,147)	(11,283)
Shareholders' Deficit		<u>(8,647)</u>	<u>(8,783)</u>

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


N Hartley
 Director 21/12/18

The notes on pages 16 to 41 form part of these financial statements.

PIAS HOLDING (UK) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 January 2016	2,500	17	(18,556)	(16,039)	(133)	(16,172)
Comprehensive income for the year						
Profit for the year	-	-	2,124	2,124	(2)	2,122
At 1 January 2017	2,500	17	(16,432)	(13,915)	(135)	(14,050)
Comprehensive income for the year						
Profit for the year	-	-	2,002	2,002	(35)	1,967
Transfer of non controlling interest	-	-	(170)	(170)	170	-
At 31 December 2017	2,500	17	(14,600)	(12,083)	-	(12,083)

The notes on pages 16 to 41 form part of these financial statements.

PIAS HOLDING (UK) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	2,500	(10,256)	(7,756)
Comprehensive income for the year			
Loss for the year	-	(1,027)	(1,027)
At 1 January 2017	2,500	(11,283)	(8,783)
Comprehensive income for the year			
Profit for the year	-	136	136
At 31 December 2017	2,500	(11,147)	(8,647)

The notes on pages 16 to 41 form part of these financial statements.

PIAS HOLDING (UK) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the financial year	1,968	2,122
Amortisation of intangible assets	475	399
Depreciation of tangible assets	221	313
Loss on disposal of tangible assets	(6)	-
Interest paid	629	216
Interest received	(10)	(3)
Taxation charge	43	27
Decrease/(increase) in stocks	346	(74)
Decrease/(increase) in debtors	2,821	(2,625)
(Increase) in amounts owed by groups	(5,799)	(1,831)
(Decrease)/increase in creditors	(1,434)	2,152
Corporation tax (paid)	(43)	(27)
Net cash generated from operating activities	(789)	669
Cash flows from investing activities		
Purchase of tangible fixed assets	(330)	(395)
Sale of tangible fixed assets	6	-
Purchase of fixed asset investments	167	-
Interest received	10	3
Net cash from investing activities	(147)	(392)
Cash flows from financing activities		
New secured loans	3,677	-
Interest paid	(629)	(216)
Net cash used in financing activities	3,048	(216)
Net increase in cash and cash equivalents	2,112	61
Cash and cash equivalents at beginning of year	(1,100)	(1,161)
Cash and cash equivalents at the end of year	1,012	(1,100)
Cash at bank and in hand	1,012	204
Bank overdrafts	-	(1,304)
	1,012	(1,100)

PIAS HOLDING (UK) LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	At 1 January 2017 £000	Cash flows £000	Acquisition of subsidiaries £000	At 31 December 2017 £000
Cash at bank and in hand	204	(795)	1,603	1,012
Bank overdrafts	(1,304)	1,304	-	-
Debt due after 1 year	-	(2,013)	-	(2,013)
Debt due within 1 year	-	(1,664)	-	(1,664)
	<u>(1,100)</u>	<u>(3,168)</u>	<u>1,603</u>	<u>(2,665)</u>

The notes on pages 16 to 41 form part of these financial statements.

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

PIAS Holding (UK) Limited is a private Company, limited by shares, incorporated in England and Wales (registered number 03592210). Its' registered office is 1 Bevington Path, London, SE1 3PW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The preparation of financial statement in compliance with FRS 102 required the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company has taken advantage of the following exemptions available under FRS 102:

- the exemption from disclosing transactions with wholly owned members of the Group.

The Group has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

2.2 Basis of consolidation

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

Non controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the non-controlling interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Associates

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

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

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

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

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

2.4 Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the production of the financial statements.

The Group has net current liabilities of £13,682k (2016: £16,641k) and net liabilities of £12,083k (2016: £14,050k) as at 31 December 2017 and has made a profit of £1,967k (2016: £2,122k). The Directors have prepared the financial statements on the going concern basis, which assumes that future incomes from artists will be sufficient to cover any advances to artists carried on the balance sheet.

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

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

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.5 Revenue

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

Sale of goods

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

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

Rendering of services

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

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

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

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

Other intangible assets

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

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

Amortisation is provided on the following bases:

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

2.7 Tangible fixed assets

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

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

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

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

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

2.10 Cash and cash equivalents

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

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.11 Financial instruments

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

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

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

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

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

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP, rounded to '000s.

Transactions and balances

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

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

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

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

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

2.13 Finance costs

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

2.14 Operating leases: the Group as lessee

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

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

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

2.16 Borrowing costs

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

2.17 Exceptional items

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

2.18 Taxation

Tax is recognised in the profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.19 Artists' advances

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

2.20 Royalties payable

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

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Bad debt provision

The trade debtors balance recorded in the Group's and Company's balance sheet is reviewed for bad debts by management on a regular basis. Any bad debts discovered are provided for via a specific provision. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable. The total bad debt provision for the Group is £853k (2016: £879k). There is no bad debt provision in the Company accounts.

Group balances

Directors make an assessment at each period end as to the recoverability of intercompany debts. This judgement is made based upon objective evidence as to whether the debtor is able to repay the debt. The total Group provision for intercompany debts is £nil (2016: £nil). The Company's total provision for intercompany debts is £770k (2016: £770k).

Investments

Directors make an assessment at each period end as to the carrying value of investments in subsidiaries and associates, based on the realisable value of said investments. The carrying amount of the Group's investments at 31 December 2017 was £20k, and no impairment has been recognised against these investment balances in the year. The carrying amounts of the Company's investments at 31 December 2017 was £1,748k and no impairment has been recognised against these investment balances in the year.

Goodwill - Impairment

Key estimates and judgements are applied in establishing the recoverable amount of goodwill at each reporting date, for the purposes of impairment testing. The carrying amount of goodwill at 31 December 2017 was £2,184k after amortisation of £447k. No impairment has been recognised against goodwill balances.

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. Turnover

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

	2017	<i>As restated</i> 2016
	£000	£000
Physical	15,126	11,195
Digital	15,095	12,188
Other	5,277	6,682
	35,498	30,065

Analysis of turnover by country of destination:

	2017	<i>As restated</i> 2016
	£000	£000
United Kingdom	15,965	17,722
Rest of Europe	12,794	10,711
Rest of the world	6,739	1,632
	35,498	30,065

5. Operating profit

The operating profit is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible fixed assets	221	313
Amortisation of intangible assets, including goodwill	475	399
Exchange differences	(487)	(517)
Defined contribution pension cost	226	115
Operating lease payments	134	134

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6. Auditors' remuneration

	2017	2016
	£000	£000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	90	90

Audit fees for the Company were £8k (2016: £8k)

7. Employees

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2017	<i>2016</i>	2017	<i>2016</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Wages and salaries	5,872	<i>4,357</i>	2,651	<i>2,249</i>
Social security costs	559	<i>438</i>	280	<i>223</i>
Cost of defined contribution scheme	226	<i>115</i>	67	<i>54</i>
	6,657	<i>4,910</i>	2,998	<i>2,526</i>

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

	2017	2016
	No.	No.
Management	3	3
Operations and administration	137	111
	140	114

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Directors' remuneration

	2017	<i>2016</i>
	£000	<i>£000</i>
Directors' emoluments	217	<i>226</i>
Company contributions to defined contribution pension schemes	18	<i>25</i>
	235	<i>251</i>

During the year retirement benefits were accruing to 1 director (*2016 - 1*) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £189k (*2016 - £192k*).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18k (*2016 - £25k*).

9. Interest receivable

	2017	<i>2016</i>
	£000	<i>£000</i>
Other interest receivable	10	<i>3</i>

10. Interest payable and similar expenses

	2017	<i>As restated</i> <i>2016</i>
	£000	<i>£000</i>
Bank interest payable	284	<i>190</i>
Loans from group undertakings	345	<i>280</i>
	629	<i>470</i>

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	-	8
Adjustments in respect of previous periods	-	19
	<u>-</u>	<u>27</u>
Foreign tax		
Foreign tax on income for the year	29	-
Foreign tax in respect of prior periods	14	-
	<u>43</u>	<u>27</u>
Total current tax	<u>43</u>	<u>27</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	<u>2,010</u>	<u>2,149</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	387	430
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	52	58
Capital allowances for year in excess of depreciation	3	3
Goodwill amortisation	28	29
Adjustments to tax charge in respect of prior periods	14	19
Short term timing difference leading to an increase (decrease) in taxation	-	(2)
Deferred tax rate adjustment	(44)	133
Foreign tax	4	-
Deferred tax not recognised	(401)	(643)
Total tax charge for the year	<u>43</u>	<u>27</u>

The Group had tax losses of £13,804k (2016: £17,856k) for offset against future taxable profit.

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Taxation (continued)

Factors that may affect future tax charges

The Finance Acts 2015 and 2016 provide that the main rate of corporation tax will fall to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020. As this legislation has been substantively enacted at the balance sheet date the impact of the tax rate reductions on the deferred tax balances carried forward has been included in the accounts.

12. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £136k (2016: £1,027k).

13. Intangible assets

Group

	Record catalogue intangibles £000	Artists' rights £000	Goodwill £000	Total £000
Cost				
At 1 January 2017	59	418	3,073	3,550
Additions	-	-	1,322	1,322
At 31 December 2017	59	418	4,395	4,872
Amortisation				
At 1 January 2017	51	206	1,764	2,021
Charge for the year	1	27	447	475
At 31 December 2017	52	233	2,211	2,496
Net book value				
At 31 December 2017	7	185	2,184	2,376
At 31 December 2016	8	212	1,308	1,528

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets

Group

	Motor vehicles £000	Fixtures & fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost					
At 1 January 2017	2	444	163	2,808	3,417
Additions	-	9	-	321	330
Acquisition of subsidiary	38	18	10	-	66
Disposals	-	-	-	(2)	(2)
At 31 December 2017	<u>40</u>	<u>471</u>	<u>173</u>	<u>3,127</u>	<u>3,811</u>
Depreciation					
At 1 January 2017	2	241	128	2,004	2,375
Charge for the year on owned assets	-	45	10	166	221
Disposals	-	-	-	(1)	(1)
At 31 December 2017	<u>2</u>	<u>286</u>	<u>138</u>	<u>2,169</u>	<u>2,595</u>
Net book value					
At 31 December 2017	<u>38</u>	<u>185</u>	<u>35</u>	<u>958</u>	<u>1,216</u>
At 31 December 2016	<u>-</u>	<u>203</u>	<u>35</u>	<u>804</u>	<u>1,042</u>

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets (continued)

Company

	Fixtures & fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost				
At 1 January 2017	444	125	2,798	3,367
Additions	9	-	321	330
Disposals	-	-	(3)	(3)
At 31 December 2017	<u>453</u>	<u>125</u>	<u>3,116</u>	<u>3,694</u>
Depreciation				
At 1 January 2017	241	89	1,996	2,326
Charge for the year on owned assets	45	11	163	219
Disposals	-	-	(1)	(1)
At 31 December 2017	<u>286</u>	<u>100</u>	<u>2,158</u>	<u>2,544</u>
Net book value				
At 31 December 2017	<u>167</u>	<u>25</u>	<u>958</u>	<u>1,150</u>
At 31 December 2016	<u>203</u>	<u>35</u>	<u>803</u>	<u>1,041</u>

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. Fixed asset investments

Group

	Investments in associates £000
Cost or valuation	
At 1 January 2017	20
At 31 December 2017	20
Net book value	
At 31 December 2017	20
At 31 December 2016	20

Company

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost or valuation			
At 1 January 2017	289	20	309
Additions	1,439	-	1,439
At 31 December 2017	1,728	20	1,748
Net book value			
At 31 December 2017	1,728	20	1,748
At 31 December 2016	289	20	309

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Subsidiary undertakings and Associates

The following were subsidiary undertakings of the Company:

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

During the year, PIAS Holdings (UK) Limited acquired the remaining 50% of the shares in Fat Cat Records Limited for consideration £2,000.

Additionally the entire share capital of Inertia Pty Limited was acquired in the year. See note 25.

The following were associates during the year:

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

The registered office of Fat Cat Records Limited, PIAS Cooperative Limited, PIAS Recordings UK Limited, PIAS UK Limited, PIAS/Wall of Sound Limited, Indie Mobile Limited, Harmonia Mundi (UK) Limited, Wall of Sound (Nordic) Limited is 1 Bevington Path, London, SE1 3PW.

The registered office of PIAS Productions Limited is Lynwood House, 373/375 Station Road, Harrow, Middlesex, HA1 2AW.

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. Stocks

	Group 2017 £000	<i>Group 2016 £000</i>	Company 2017 £000	<i>Company 2016 £000</i>
Finished goods and goods for resale	1,665	<i>1,987</i>	-	-

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

The stock balance is shown after impairment provision of £757k (2016: £555k). The Group held consignment stock of £3,762k (2016: £3,900k).

The Group recognised £202k (2016: minus £162k) of stock in cost of sales during the year.

18. Debtors

	Group 2017 £000	<i>Group 2016 £000</i>	Company 2017 £000	<i>Company 2016 £000</i>
Trade debtors	9,168	<i>8,223</i>	-	-
Amounts owed by group undertakings	193,650	<i>146,897</i>	26,348	<i>15,199</i>
Other debtors	9,147	<i>9,819</i>	13	<i>14</i>
Prepayments and accrued income	1,866	<i>3,844</i>	568	<i>535</i>
Tax recoverable	11	<i>-</i>	-	-
	213,842	<i>168,783</i>	26,929	<i>15,748</i>

19. Cash and cash equivalents

	Group 2017 £000	<i>Group 2016 £000</i>	Company 2017 £000	<i>Company 2016 £000</i>
Cash at bank and in hand	1,012	<i>204</i>	-	-
Less: bank overdrafts	-	<i>(1,304)</i>	-	-
	1,012	<i>(1,100)</i>	-	-

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank overdrafts	-	1,304	-	-
Bank loans	999	-	-	-
Other loans	665	-	-	-
Trade creditors	13,595	12,556	-	-
Amounts owed to group undertakings	203,012	162,058	37,579	25,727
Corporation tax	2	2	2	2
Other taxation and social security	232	369	-	-
Other creditors	1,086	2,135	-	-
Accruals and deferred income	10,610	9,191	893	152
	230,201	187,615	38,474	25,881

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

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

The bank liabilities relating to these guarantees as at 31 December 2017 amounted to £nil.

The bank loan is secured on the assets of the group.

21. Creditors: Amounts falling due after more than one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans	2,013	-	-	-

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Financial instruments

	Group	<i>Group As restated</i>	Company	<i>Company As restated</i>
	2017	2016	2017	2016
	£000	£000	£000	£000
Financial assets				
Cash and cash equivalents	1,012	204	-	1,000
Financial assets that are debt instruments measured at amortised cost	168,144	168,143	26,611	15,450
Financial assets that are equity instruments measured at cost less impairment	-	-	-	-
	<u>169,156</u>	<u>168,347</u>	<u>26,611</u>	<u>16,450</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(183,239)	(149,040)	(38,472)	(24,316)

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors, accrued income and intercompany balances.

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals, bank overdrafts and group balances.

23. Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
2,500,286 Ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>

24. Reserves

Other reserves

This reserve relates to the merger reserve. The merger reserve is the difference between the nominal and fair value on shares acquired on initial recognition of the business combination.

Profit & loss account

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

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

25. Business combinations

On 1 January 2017, the Group acquired the entire share capital of Inertia Pty Limited for a total consideration of £1,437,000. This acquisition has been accounted for by the acquisition method of accounting.

The book value and fair value of the assets and liabilities acquired were as follows:

	Book value £000	Fair value £000
Tangible	66	66
	<u>66</u>	<u>66</u>
Stocks	24	24
Debtors	1,127	1,127
Cash at bank and in hand	1,603	1,603
	<u>2,820</u>	<u>2,820</u>
Total assets	2,820	2,820
Creditors: Due within one year	(2,705)	(2,705)
	<u>115</u>	<u>115</u>
Fair value of net assets	115	115
Goodwill	1,322	1,322
	<u>1,437</u>	<u>1,437</u>
Total purchase consideration	1,437	1,437

The results of Inertia Pty Limited since its acquisition are as follows:

	Current period since acquisition £000
Turnover	<u>3,008</u>
Loss for the year	<u>(61)</u>

PIAS HOLDING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

26. Prior year adjustment

The prior year balances have been restated to reclassify certain turnover on a net rather than gross basis. This has had the impact of reducing both turnover and cost of sales by £1,181k. This adjustment has had no impact upon reserves.

Additionally, interest paid to unconsolidated group entities totalling £254k has been reclassified from admin expenses in the prior year to interest paid. This adjustment has had no impact upon reserves.

27. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £226k (2016 - £115k). No contributions were outstanding at the balance sheet date.

28. Minority Interests

This represents the minority interest in Fat Cat Records Limited. The remaining Share capital in Fat Cat Records Limited was acquired in the year, see note 16.

29. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000
Not later than 1 year	299,000	302,000
Later than 1 year and not later than 5 years	961,205	1,260,000
	<u>1,260,205</u>	<u>1,562,000</u>

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

30. Related party transactions

Company

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

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

	Sub Notes	2017 £000	2016 £000
FAT CAT Records Limited	1	-	233
PIAS DIGITAL Limited	1	-	2,182
PIAS FRANCE	2	556	556
PIAS PRODUCTIONS Limited	1	(183)	6
PIAS Group SPRL	2	(9,623)	-
Income/(expense)			
PIAS PRODUCTIONS Limited	1	(189)	-
PIAS DIGITAL Limited	1	-	655
Transfers			
PIAS DIGITAL Limited	1	-	(334)
FAT CAT Records Limited	1	-	6
PIAS PRODUCTIONS Limited	1	-	(6)

Sub notes

1) PIAS Digital Limited, PIAS Productions Limited and Fat Cat Records Limited are fellow group companies in the UK.

2) These entities are fellow group companies operating overseas.

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Related party transactions (continued)

Group

	Sub Notes	2017 £000	2016 £000
PIAS DIGITAL Limited	1	-	(36,769)
PIAS FRANCE	2	14,034	9,136
PIAS PRODUCTIONS Limited	1	(903)	(649)
WALL OF SOUND (Nordic) Limited	1	(80)	(80)
F COMMUNICATIONS	2	80	(61)
PIAS ROUGH TRADE	2	2,197	2,197
LGS 2 SPRL	2	(5,652)	(3,268)
PIAS Group SPRL	2	(15,399)	-
Income/(expenses)			
PIAS DIGITAL Limited	1	-	12,035
PIAS FRANCE	2	3,100	5,316
F COMMUNICATIONS	2	-	(20)
PIAS ROUGH TRADE	2	-	1,091
Transfers			
PIAS DIGITAL Limited	1	-	27,843
PIAS FRANCE	2	-	450
PIAS PRODUCTIONS Limited	1	-	(151)
LGS 2 SPRL	2	-	1,601

Sub notes

1) PIAS Digital Limited, PIAS Productions Limited and Wall of Sound (Nordic) Limited are fellow group companies in the UK.

2) These entities are fellow group companies operating overseas.

The Group was charged £22k (2016: £26k) by The Official UK Charts Company Limited, a company in which N Hartley is a director, in respect of subscriptions.

At the year end there was a loan of £665k (2016: £nil) owing to a director of the Group, repayable within one year. Interest is charged at 4% per annum.

31. Post balance sheet events

As a result of the listing of Spotify, the Group received a material sum. The costs relating to this receipt are currently unknown, therefore the full financial benefit to the Group cannot be reliably estimated.

PIAS HOLDING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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32. Ultimate parent company

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

LGS 2 SPRL, a company registered in Belgium, is the ultimate parent company and is domiciled in Belgium. Copies of the group financial statements can be obtained from 36-38, Rue St Laurent 1000 Brussels, Belgium.