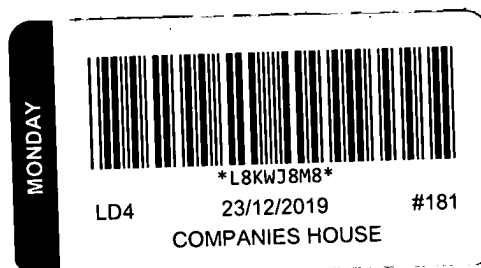


Registration number: 01471066

**Sony Music Entertainment UK Limited**

Annual Report and Financial Statements

for the Year Ended 31 March 2019



## **Contents**

Strategic Report	1
Directors' Report	2 to 5
Independent Auditors' Report	6 to 8
Profit and Loss Account	9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 38

## **Strategic Report for the Year Ended 31 March 2019**

The directors present their strategic report for the year ended 31 March 2019.

### **Principal activity**

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

### **Business review and results**

The company's turnover was £263,995,000 (2018: £232,312,000) and gross profit was £140,916,000 (2018: £125,832,000) during the year ended 31 March 2019.

The company made a profit for the financial year of £21,162,000 (2018: £28,298,000 profit). The company was in a net asset position of £284,041,000 (2018: £264,248,000) at 31 March 2019.

### **Principal risks and uncertainties**

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

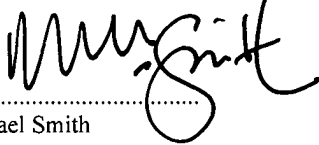
### **Creditor payment policy**

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

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

The company's standard payment terms are 30 days. The average trade payables payment period of the company for the year ended 31 March 2019 was 39 days (2018: 30 days).

Approved by the Board on 19 December 2019 and signed on its behalf by:



Michael Smith  
Director

## **Directors' Report for the Year Ended 31 March 2019**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2019.

### **Future developments and prospects**

The directors do not intend the activities of the business to change for the foreseeable future.

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

### **Dividends**

The directors do not recommend a dividend payment be made in respect of the financial year ended 31 March 2019 (2018: £nil).

### **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

Michael Smith

Julie Swidler

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2019 (2018: none).

### **Company Secretary**

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

### **Employees**

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

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

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

## **Directors' Report for the Year Ended 31 March 2019 (continued)**

### **Employment of disabled persons**

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

### **Financial risk management**

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

#### *Market risk - Foreign exchange risk*

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

#### *Credit risk*

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

#### *Liquidity risk*

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

### **Charitable donations**

Charitable donations for the year ended 31 March 2019 amounted to £9,000 (2018: £138,000).

## **Directors' Report for the Year Ended 31 March 2019 (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 2019 (continued)**

### **Disclosure of information to the auditors**

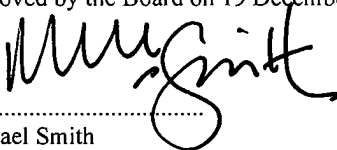
The directors who held office at the date of approval of this directors' report confirm that:

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

### **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 19 December 2019 and signed on its behalf by:

  
.....  
Michael Smith  
Director

## **Independent Auditors' Report to the Members of Sony Music Entertainment UK Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 2019; 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.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.



## **Independent Auditors' Report to the Members of Sony Music Entertainment UK Limited (continued)**

### **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 2019 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 UK 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](http://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.



David Beer (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors  
Watford

20 December 2019

### Profit and Loss Account for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	263,995	232,312
Cost of sales		<u>(123,079)</u>	<u>(106,480)</u>
Gross profit		140,916	125,832
Distribution costs		(27,978)	(28,650)
Administrative expenses		(63,517)	(79,623)
Other operating income	5	<u>37,670</u>	<u>860</u>
Operating profit	6	<u>87,091</u>	<u>18,419</u>
Income from shares in group undertakings		-	40,605
Income from interest in jointly controlled entities		1,543	1,539
Interest receivable and similar income	9	4	3
Amounts written off investments	14	(56,712)	(28,042)
Reversal of prior year impairment losses	14	5,743	4,350
Interest payable and similar expenses	10	<u>(2,299)</u>	<u>(2,099)</u>
		<u>(51,721)</u>	<u>16,356</u>
Profit before taxation		35,370	34,775
Tax on profit	11	<u>(14,208)</u>	<u>(6,477)</u>
Profit for the financial year		<u><u>21,162</u></u>	<u><u>28,298</u></u>

The above results were derived from continuing operations.

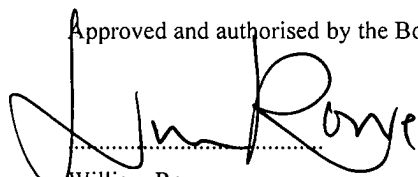
### Statement of Comprehensive Income for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Profit for the financial year		21,162	28,298
Remeasurement loss on defined benefit pension scheme	23	<u>(1,369)</u>	<u>(3,553)</u>
Total comprehensive income for the financial year		<u>19,793</u>	<u>24,745</u>

**Registration number: 01471066**  
**Balance Sheet as at 31 March 2019**

	Note	2019 £ 000	2018 £ 000
<b>Fixed assets</b>			
Intangible assets	12	22,774	28,140
Tangible assets	13	2,796	2,971
Investments	14	203,523	254,492
Debtors: amounts falling due after more than one year	15	3,528	3,211
		<u>232,621</u>	<u>288,814</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	247,084	238,982
Cash at bank and in hand		2,305	1,584
		<u>249,389</u>	<u>240,566</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(161,810)</u>	<u>(222,713)</u>
<b>Net current assets</b>		<u>87,579</u>	<u>17,853</u>
<b>Total assets less current liabilities</b>		<u>320,200</u>	<u>306,667</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(34,838)</u>	<u>(41,179)</u>
<b>Provisions for liabilities</b>	17	<u>(1,321)</u>	<u>(1,240)</u>
<b>Net assets</b>		<u>284,041</u>	<u>264,248</u>
<b>Capital and reserves</b>			
Called up share capital	19	5,251	5,251
Share premium account		45,015	45,015
Other reserves		43,709	43,709
Retained earnings		190,066	170,273
<b>Total equity</b>		<u>284,041</u>	<u>264,248</u>

Approved and authorised by the Board on 19 December 2019 and signed on its behalf by:

  
William Rowe  
Director

### Statement of Changes in Equity for the Year Ended 31 March 2019

	<b>Called up share capital £ 000</b>	<b>Share premium account £ 000</b>	<b>Other reserves £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total equity £ 000</b>
At 1 April 2018	5,251	45,015	43,709	170,273	264,248
Profit for the financial year	-	-	-	21,162	21,162
Other comprehensive expense	-	-	-	(1,369)	(1,369)
At 31 March 2019	<u>5,251</u>	<u>45,015</u>	<u>43,709</u>	<u>190,066</u>	<u>284,041</u>

	<b>Called up share capital £ 000</b>	<b>Share premium account £ 000</b>	<b>Other reserves £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total equity £ 000</b>
At 1 April 2017	5,251	45,015	43,709	145,528	239,503
Profit for the financial year	-	-	-	28,298	28,298
Other comprehensive expense	-	-	-	(3,553)	(3,553)
At 31 March 2018	<u>5,251</u>	<u>45,015</u>	<u>43,709</u>	<u>170,273</u>	<u>264,248</u>

## **Notes to the Financial Statements for the Year Ended 31 March 2019**

### **1 General information**

The company is a private company limited by share capital, incorporated in the United Kingdom.

The address of its registered office is:

9 Derry Street  
London  
W8 5HY

These financial statements were authorised for issue by the Board on 19 December 2019.

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

#### **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 2019 (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;
- The requirements of Section 11 Basic Financial Instruments

This information is included in the consolidated financial statements of Sony Corporation as at 31 March 2019 and these financial statements may be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

#### **Going concern**

The directors of the company are satisfied that the financial statements are prepared on a going concern basis based on the reasonable expectation that the company will continue to trade profitably and will also receive sufficient income from its investments in the future.

#### **Consolidated financial statements**

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

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



## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **2 Accounting policies (continued)**

#### **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.

#### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

#### **Employee benefits**

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

##### *(i) Short term benefits*

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

##### *(ii) Pension costs*

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

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

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

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

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 2 Accounting policies (continued)

#### 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.

#### Intangible assets

##### *(i) Goodwill*

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

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

##### *(ii) Trademarks*

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

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (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.

#### **Leased assets**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

#### **Investments**

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

#### **Royalty advances and recording costs**

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

#### **Provisions**

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

#### **Jointly Controlled Entities**

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

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 2 Accounting policies (continued)

#### Financial instruments

##### *(i) Financial assets*

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

##### *(ii) Financial liabilities*

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

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

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

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

#### 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.

### 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 and the value of accrued royalties.

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 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:

	2019 £ 000	2018 £ 000
UK	172,856	165,459
Rest of world	91,139	66,853
	<u>263,995</u>	<u>232,312</u>

### 5 Other operating income

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

	2019 £ 000	2018 £ 000
Royalty based financial income	37,381	23,701
Provision for artist royalty relating to royalty based financial income	-	(23,701)
Miscellaneous other operating gains	289	1,075
Miscellaneous other operating losses	-	(215)
	<u>37,670</u>	<u>860</u>

Other operating income arises as a result of a royalty due from Sony Music Entertainment International Limited relating to its equity investment in a digital service provider.

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 6 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£ 000	£ 000
Depreciation expense	718	1,004
Amortisation expense	5,366	5,375
Impairment of intangible assets	-	14,561
Auditors' remuneration - Audit of company's and subsidiaries financial statements	140	136
Operating lease charges - Plant and machinery	78	76
Operating lease charges - Rent	4,325	3,632
Service fees	(1,075)	(2,349)
Foreign exchange (gains)/losses	<u>(2,846)</u>	<u>2,971</u>

### 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.

	2019	2018
	£ 000	£ 000
Aggregate emoluments	1,068	1,010
Pension scheme contributions	<u>46</u>	<u>42</u>
	<u>1,114</u>	<u>1,052</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019	2018
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 7 Directors' remuneration (continued)

In respect of the highest paid director:

	2019	2018
	£ 000	£ 000
Remuneration	526	498
Company contributions to money purchase pension schemes	<u>46</u>	<u>42</u>

The emoluments of the remaining director are borne by another group company and not recharged to the company. The director did not receive any emoluments in respect of their services to the company.

### 8 Staff costs

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

	2019	2018
	£ 000	£ 000
Wages and salaries	29,638	27,027
Social security costs	3,420	3,619
Other pension costs	<u>1,465</u>	<u>1,405</u>
	<u><u>34,523</u></u>	<u><u>32,051</u></u>

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

	2019	2018
	No.	No.
Sales, marketing and distribution	214	209
Administration and support	<u>103</u>	<u>108</u>
	<u><u>317</u></u>	<u><u>317</u></u>

### 9 Interest receivable and similar income

	2019	2018
	£ 000	£ 000
Interest income on bank deposits	<u>4</u>	<u>3</u>

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 10 Interest payable and similar expenses

	2019	2018
	£ 000	£ 000
Other loans	1,439	1,582
Pension expense (net)	<u>860</u>	<u>517</u>
	<u><u>2,299</u></u>	<u><u>2,099</u></u>

### 11 Taxation

Tax charged in the profit and loss account

	2019	2018
	£ 000	£ 000
<b>Current taxation</b>		
UK corporation tax	15,271	6,506
UK corporation tax adjustment to prior periods	<u>(2,406)</u>	<u>105</u>
	12,865	6,611
Foreign tax	<u>1,595</u>	<u>34</u>
Total current income tax	<u><u>14,460</u></u>	<u><u>6,645</u></u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(44)	(71)
Arising from changes in tax rates and laws	5	8
Arising from adjustment in respect of previous periods	<u>(213)</u>	<u>(105)</u>
Total deferred taxation	<u><u>(252)</u></u>	<u><u>(168)</u></u>
Tax expense in the profit and loss account	<u><u>14,208</u></u>	<u><u>6,477</u></u>



## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 11 Taxation (continued)

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	<u>35,370</u>	<u>34,775</u>
Corporation tax at standard rate	6,720	6,608
Increase from effect of tax rate change on opening balance	5	8
Effect of revenues exempt from taxation	(3)	(7,695)
Effect of expense not deductible in determining taxable profit (tax loss)	10,469	7,555
Effect of tax losses	(1,884)	-
Deferred tax expense from unrecognised tax loss or credit	924	-
Decrease in UK and foreign current tax from adjustment for prior periods	(2,618)	-
Tax increase arising from group relief	-	1
Tax increase arising from overseas tax suffered/expensed	<u>595</u>	<u>-</u>
Total tax charge	<u>14,208</u>	<u>6,477</u>

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

The company has trading losses carried forward of £6,377,810 (2018: nil). No deferred tax asset has been recognised on £4,862,810 of these losses, due to restrictions on utilisation of losses transferred in from group companies.

The corresponding potential deferred tax asset unrecognised as at 31 March 2019 is £826,678 (2018: nil).

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 12 Intangible assets

	<b>Goodwill</b> £ 000	<b>Trademarks, patents and licenses</b> £ 000	<b>Total</b> £ 000
<b>Cost or valuation</b>			
At 1 April 2018	59,108	36,101	95,209
At 31 March 2019	59,108	36,101	95,209
<b>Amortisation</b>			
At 1 April 2018	39,770	27,299	67,069
Amortisation charge	2,742	2,624	5,366
At 31 March 2019	42,512	29,923	72,435
<b>Carrying amount</b>			
At 31 March 2019	16,596	6,178	22,774
At 31 March 2018	19,338	8,802	28,140

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 13 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 April 2018	17,667	5,155	22,822
Additions	<u>59</u>	<u>483</u>	<u>542</u>
At 31 March 2019	<u>17,726</u>	<u>5,638</u>	<u>23,364</u>
<b>Depreciation</b>			
At 1 April 2018	16,010	3,841	19,851
Charge for the year	<u>424</u>	<u>293</u>	<u>717</u>
At 31 March 2019	<u>16,434</u>	<u>4,134</u>	<u>20,568</u>
<b>Carrying amount</b>			
At 31 March 2019	<u>1,292</u>	<u>1,504</u>	<u>2,796</u>
At 31 March 2018	<u>1,657</u>	<u>1,314</u>	<u>2,971</u>

### 14 Investments in subsidiaries, joint ventures and associates

	2019 £ 000	2018 £ 000
Investments in subsidiaries	<u>203,523</u>	<u>254,492</u>
<b>Subsidiaries</b>		£ 000
<b>Cost or valuation</b>		
At 1 April 2018 and 31 March 2019		417,502
<b>Provisions for permanent diminution in value</b>		
At 1 April 2018		163,010
Charge for the year		56,712
Reversal of prior year impairment losses		<u>(5,743)</u>
At 31 March 2019		<u>213,979</u>
<b>Carrying amount</b>		
At 31 March 2019		<u>203,523</u>
At 31 March 2018		<u>254,492</u>

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 14 Investments in subsidiaries, joint ventures and associates (continued)

#### 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	
			2019	2018
Subsidiary undertakings				
4 Tunes Music Publishing Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Blue Sky Music Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Century Media Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Charriet Music Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Cheeky Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Conifer Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Creation Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Deconstruction Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Dedicated Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Essential Music & Marketing Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 14 Investments in subsidiaries, joint ventures and associates (continued)

Global Television Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Hansa Production Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Indolent Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Logic Records Limited (UK)	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Major Label Limited	5a Bear Lane, Southwark, London SE1 0UH U.K.	ordinary share capital	100%	100%
Minsub Limited	22 Grendall Street, St Helier, Jersey JE4 8PX Jersey	ordinary share capital	100%	100%
Multitone Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Phonogenic Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Salli Isaak Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Siro Live Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Sony Music Entertainment Eurodisc Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Sony Music Entertainment Ireland Limited	Embassy House, Ballsbridge, Dublin 4 Ireland	ordinary share capital	100%	100%
Sony Music Interactive Video Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
UFA Video & Media (UK) Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 14 Investments in subsidiaries, joint ventures and associates (continued)

Vogelcourt Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Wildstar Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Zomba Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	100%
Black Butter Limited	9 Derry Street, London W8 5HY U.K.	100% B class share capital	49%	49%
<b>Joint ventures</b>				
Syco Entertainment Limited	9 Derry Street, London W8 5HY U.K.	100% A class share capital	50%	50%
Syco Holdings Limited	9 Derry Street, London W8 5HY U.K.	50% A class share capital 100% B class share capital 100% D class share capital	50%	50%
Promised Land Recordings Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	49%	49%
Sign of The Times Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	51%	51%
<b>Associates</b>				
Lissie & Co Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	25%	25%
<b>Joint Arrangements</b>				
Now That's What I Call Music LLP (50%)	9 Derry Street, London W8 5HY, UK	membership interest	50%	50%

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 14 Investments in subsidiaries, joint ventures and associates (continued)

#### Indirect Related Undertakings

##### (a) Sony Music Entertainment Eurodisc Limited (100%) subsidiaries

Ariola Music Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Sony Music Entertainment Ariola Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Sony Music Entertainment Arista Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%

##### (b) Zomba Records Limited (100%) subsidiaries

Coombe Music International Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Micrometro Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Music For Nations Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Silvertone Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Zomba Recording Services Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%

##### (c) Century Media Records Limited (100%) subsidiaries

Century Media Records GmbH	Schaferstr. 33a 44147 Dortmund, Germany	ordinary share capital	100%	100%
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##### (d) Syco Entertainment Limited (50%) subsidiaries

Crystal Entertainment Limited (50%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Maidmetal Limited (50%)	9 Derry Street, London W8 5HY, UK	A class share capital	100%	100%

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 14 Investments in subsidiaries, joint ventures and associates (continued)

Maidmetal Entertainment Limited (50%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Ronagold Limited (50%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Simco Limited (50%)	9 Derry Street, London W8 5HY, UK	A class share capital	100%	100%
Syco Touring Limited (50%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Syco Entertainment Inc. (50%)	25 Madison Avenue, New York, NY 10010, USA	ordinary share capital	100%	100%

#### (e) Syco Holdings Limited (50%) subsidiaries

Syco Entertainment Limited (25%)	9 Derry Street, London W8 5HY, UK	A class share capital	100%	100%
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#### (f) Minsub Limited (100% subsidiaries)

Ministry of Sound Recordings Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
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### Indirect Joint Ventures

#### Syco Entertainment Limited (50%) joint ventures

Over The Top Productions Limited (35%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	70%	70%
Triple Strings Limited (25%)	9 Derry Street, London W8 5HY, UK	B class share capital	50%	50%
X F Musical Limited (21%)	17 Gresse Street, London W1T 1QL, UK	A class share capital	42.5%	42.5%
X F Musical West End Limited (25%)	17 Gresse Street, London W1T 1QL, UK	ordinary share capital	50%	50%
Musica Entertainment LLC (25%)	17 Gresse Street, London W1T 1QL, UK	membership interest	50%	50%



## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 15 Debtors

	Note	2019 £ 000	2018 £ 000
<i>Amounts falling due within one year:</i>			
Trade debtors		22,612	24,843
Amounts owed by group undertakings		66,095	44,141
Other debtors		18,535	19,729
Other taxation and social security		5,249	3,674
Royalty advances		7,704	14,462
Dividends receivable		110,454	110,454
Group relief debtor	11	4,037	9,170
Prepayments and accrued income		12,398	12,509
		<u>247,084</u>	<u>238,982</u>
<i>Amounts falling due after more than one year:</i>			
Deferred tax asset		1,528	1,276
Royalty advances		2,000	1,935
		<u>3,528</u>	<u>3,211</u>

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

### 16 Creditors

	Note	2019 £ 000	2018 £ 000
<i>Amounts falling due within one year:</i>			
Trade creditors		22,702	17,745
Amounts owed to group undertakings		49,447	90,678
Group relief payable	11	6,264	7,835
Other creditors		6,600	6,062
Royalties and licences		59,010	81,289
Accruals and deferred income		15,006	19,104
Loan notes		2,781	-
		<u>161,810</u>	<u>222,713</u>

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 16 Creditors (continued)

	Note	2019 £ 000	2018 £ 000
<i>Amounts falling due after more than one year:</i>			
Loan notes		34,838	36,403
Other creditors		-	4,776
		<u>34,838</u>	<u>41,179</u>

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

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

### 17 Provisions for liabilities

	Other provisions £ 000	Total £ 000
At 1 April 2018	1,240	1,240
Increase in existing provisions	81	81
At 31 March 2019	<u>1,321</u>	<u>1,321</u>

The provision relates to a dilapidation obligation.

### 18 Deferred taxation

	2019 £ 000	2018 £ 000
Accelerated tax depreciation	959	895
Other short term timing differences	311	381
Tax losses carry-forwards	258	-
Undiscounted deferred tax asset	<u>1,528</u>	<u>1,276</u>

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 19 Called up share capital

#### Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>5,251</u>	<u>5,251</u>	<u>5,251</u>	<u>5,251</u>

### 20 Commitments

#### Artist advance commitments

At 31 March 2019, the company has a total contractual commitment in respect of artist advances and recording costs of £29,350,000 (2018: £19,760,000) of which £28,950,000 relates to the next financial year (2018: £19,360,000).

### 21 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	As restated	
	2019	2018
	£ 000	£ 000
Not later than one year	4,697	4,325
Later than one year and not later than five years	11,567	14,777
Later than five years	<u>16</u>	<u>-</u>
	<u>16,280</u>	<u>19,102</u>

The prior year amount has been restated to correct an error in the lease commitment aging analysis.

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,403,000 (2018 - £3,707,000).

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **22 Guarantees**

At 31 March 2019 the company had in issue guarantees to Barclays Bank Plc for Customs and Excise for £60,000 in respect of deferred VAT (2018: £60,000).

### **23 Pension and other schemes**

#### **Defined benefit pension schemes**

##### **Sony Music UK Pension Plan**

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

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

The Core Plan is of the defined benefit type and has been closed to new members since 31 March 1995 and future accrual with effect from 31 March 2016. The assets of the scheme are held separately from those of the company, being invested in a number of pooled funds managed by Blackrock Investment Management (UK) Limited.

The pension cost is assessed in accordance with the advice of an independent actuary using the projected unit method. At 31 March 2019, the market value of the scheme's assets was £144,040,000 (2018: £146,241,000). The assumptions that have the most significant effect on the results of the valuation are those relating to the discount rate and the rate of increase in pensions.

The company pension contributions for the year ended 31 March 2019 amounted to £1,480,000 (2018: £3,552,000).

The company's current service cost for the scheme for the year was £860,000 (2018: £517,000).

The date of the most recent comprehensive actuarial valuation was 31 March 2018.

The year end results are based on approximate updates carried out by a qualified independent actuary.

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 23 Pension and other schemes (continued)

#### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the balance sheet are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	144,040	146,241
Present value of defined benefit obligation	<u>(112,782)</u>	<u>(109,450)</u>
Surplus	31,258	36,791
Irrecoverable surplus (effect of asset ceiling)	<u>(31,258)</u>	<u>(36,791)</u>
Defined benefit pension scheme surplus/(deficit)	<u>-</u>	<u>-</u>

#### *Defined benefit obligation*

Changes in the defined benefit obligation are as follows:

	2019 £ 000
Present value at start of year	109,450
Current service cost	749
Interest cost	2,544
Actuarial gains and losses	11,867
Benefits paid	(11,190)
Plan introductions, changes, curtailments and settlements	111
Other adjustments	<u>(749)</u>
Present value at end of year	<u>112,782</u>

#### *Fair value of scheme assets*

Changes in the fair value of scheme assets are as follows:

	2019 £ 000
Fair value at start of year	146,241
Interest income	3,464
Return on plan assets (greater)/less than discount rate	4,045
Benefits paid	(11,190)
Employer contributions	<u>1,480</u>
Fair value at end of year	<u>144,040</u>

## Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

### 23 Pension and other schemes (continued)

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Debt instruments	143,608	145,949
Other	432	292
	<u>144,040</u>	<u>146,241</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

#### *Principal actuarial assumptions*

The principal actuarial assumptions at the statement of financial position date are as follows:

	2019 %	2018 %
Discount rate	2.25	2.45
Pension increase assumption (Post 2004 pension)	2.95	2.85
Retail Inflation assumption	3.20	3.05
Consumer Inflation assumption	<u>2.20</u>	<u>2.05</u>

#### *Post retirement mortality assumptions*

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	23.00	23.00
Current UK pensioners at retirement age - female	<u>24.00</u>	<u>26.00</u>

#### **Sony Music Savings Plan**

The company participates in the Sony Music Savings Plan ("The Plan"), a defined contribution master trust. The Plan is open to new employees and existing employees. The assets of The Plan are held separately from those of the company. It is the company's policy to contribute in such a way as to match double contributions made by employees to a maximum company contribution of 10% of pensionable salary. The total pension expense for the Sony Music Savings Plan for the year ending 31 March 2019 amounted to £1,503,545.

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

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **24 Parent and ultimate parent undertaking**

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

### **25 Related party transactions**

As at 31 March 2019, Syco Entertainment Limited owed Sony Music Entertainment UK Limited £87,189,000 (2018: £87,189,000). Syco Entertainment Limited is a related party as the company owns 75% of the share capital of Syco Entertainment Limited.

Sony Music Entertainment UK Limited provides Simco Limited with certain administrative services. During the financial year Sony Music Entertainment UK Limited received £4,229,000 (2018: £4,006,000) and made payments of £5,618,000 (2018: £6,107,000) on behalf of Simco Limited.

Sony Music Entertainment UK Limited receives a service fee from Simco Limited which includes office rent and is calculated on an arm's length basis, for the year ended 31 March 2019, the charge was £1,615,000 (2018: £1,680,000). In addition, Simco Limited licensed artists to Sony Music Entertainment Ltd globally and received licensing royalties in return, for the year ended 31 March 2019 this amounted to £4,229,000 (2018: £4,006,000).

The amount owed to Sony Music Entertainment UK Limited by Simco Limited as at 31 March 2019 was £2,971,000 (2018: £3,714,000). Simco Limited is a related party as the company owns 75% of the share capital of Syco Entertainment Limited, which is the immediate parent of Simco Limited.

Sony Music Entertainment UK Limited provides Ronagold Limited with certain administrative services. The net expense from transactions with Ronagold Limited was £9,000 (2018: £7,000) during the year. The amount owed to Ronagold Limited by Sony Music Entertainment UK Limited as at 31 March 2019 was £nil (2018: £nil). Sony Music Entertainment UK Limited is a related party as it owns 75% of the share capital of Syco Entertainment Limited which is the immediate parent of Ronagold Limited.

As at 31 March 2019, Maidmetal Limited was owed £66,000 (2018: £22,600 owed to) from Sony Music Entertainment UK Limited, this comprised of payments made by Sony Music Entertainment UK Limited on behalf of Maidmetal Limited of £652,000 (2018: £664,000) and funds received by Sony Music Entertainment UK Limited of £718,000 (2018: £667,000). Sony Music Entertainment UK Limited is a related party as it owns 75% of the share capital of Syco Entertainment Limited which is the immediate parent of Maidmetal Limited.

As at 31 March 2019, Over The Top Productions Limited owed Sony Music Entertainment UK Limited £1,000 (2018: £1,000), this comprised of payments made by Sony Music Entertainment UK Limited on behalf of Over The Top Productions Limited in addition to interest on the intercompany balance of £1,000 (2018: £1,000). Sony Music Entertainment UK Limited is a related party as it owns 75% of the share capital of Syco Entertainment Limited which is the immediate parent of Over The Top Productions Limited.

## **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

### **25 Related party transactions (continued)**

Now That's What I Call Music LLP is a joint arrangement in which Sony Music Entertainment UK Limited has a 50% holding. Sony Music Entertainment UK Limited provides Now That's What I Call Music LLP with certain distribution and administrative services during the year. The net income from these transactions with Now That's What I Call Music LLP was £2,573,000 (2018: £6,852,000). The LLP also charged Sony Music Entertainment UK Limited for administrative and development costs during the year totalling £1,848,000 (2018: £nil). Sony Music Entertainment UK is also owed its 50% share of undistributed profits from Now That's What I Call Music LLP which is £1,797,000 at 31 March 2019 (2018: £1,549,000). The amount owed to Sony Music Entertainment UK Limited by the LLP at 31 March 2019 was £3,526,500 (2018: £2,941,000). The amount owed to the LLP by Sony Music Entertainment UK Limited at 31 March 2019 was £nil (2018: £nil).

Black Butter Limited is a joint venture in which Sony Music Entertainment UK Limited has a 49% holding. At the year end Black Butter Limited owed the company £735,000 (2018: £1,196,000) in relation to recharges of administrative and operating costs.

Promised Land Recordings Ltd is a joint venture in which Sony Music Entertainment UK Limited has a 49% holding. Sony Music Entertainment UK Limited recharged operating costs to Promised Land Recordings Ltd during the year totalling £688,000 (2018: £188,000).

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

### **26 Non adjusting events after the financial period**

Following the year end date, on 28 June 2019, the company purchased 50% of the shares of Stackhouse Music Management Limited.

Following the year end date, on 31 July 2019, the company purchased 100% of the shares of Kontraband Limited.