

Registration number: 01471066

Sony Music Entertainment UK Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

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Strategic Report for the Year Ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

Principal activity

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

Business review and results

The company considers its key objectives to be working with artists to create and market excellent music. The key performance indicators for this in these accounts include turnover, profit and the strength of its balance sheet.

The company's turnover was £278,537,000 (2019: £263,995,000) and gross profit was £153,471,000 (2019: £140,916,000) during the year ended 31 March 2020.

The company made a profit for the financial year of £21,623,000 (2019: £21,162,000 profit). The company was in a net asset position of £305,664,000 (2019: £284,041,000) at 31 March 2020.

Section 172 Statement

Under section 172 of the Companies Act 2006, the board of directors of a company must act to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the factors noted in section 172(1).

The board considers carefully both the short and long-term impact on its members of strategic business decisions, through regular management meetings and consultation with key stakeholders.

Artists, employees, customers, suppliers, the environment and the wider community are all considered to be of vital importance to the company. Details of how the company engages with these key stakeholders can be found in the Directors' report.

The directors work to ensure the company maintains a reputation for high standards of business conduct. The company has a mandatory code of conduct along with annual certifications and compliance training for all employees. Areas covered include conflict of interest certifications, anti-bribery training, IT security training and various other mandatory certifications.

Strategic Report for the Year Ended 31 March 2020 (continued)

Principal risks and uncertainties

The company considers its key risks and uncertainties to be physical music market decline, piracy, uncertainty over the rate of long term growth of the streaming market and the strength of the release schedule. Operating in a fast-changing and highly competitive industry the directors are confident these risks can be mitigated by working with both new and existing artists to create and market excellent music, and by adapting the business model to changing market conditions.

Covid 19

Due to the Covid 19 pandemic and related lockdown measures, there has been a decline in the market for physical product sales and in certain ancillary revenue streams. The company has, however, continued to see growth in streaming revenues, which together with cost savings have minimised the negative effects on the business.

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 2020 was 43 days (2019: 39 days).

Approved by the Board on 25 March 2021 and signed on its behalf by:



Adobe Sign Transaction Number: CBJCHBCAABAA4IvaCUoYTI-WAaD4TKSJClEuaQcgbJYi

Michael Smith
Director

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the audited financial statements of the company for the year ended 31 March 2020.

Future developments and prospects

The directors are confident that the company will continue to deliver good results from the same core business through a strong release schedule and aligning its business model to changes in the market.

Dividends

The directors do not recommend a dividend payment be made in respect of the financial year ended 31 March 2020 (2019: £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 2020 (2019: none).

Company Secretary

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

Directors' Report for the Year Ended 31 March 2020 (continued)

Employee engagement

The board recognises that the wellbeing of the company's staff is paramount to its continued success, and engagement with all employees is essential for maintaining a creative, inclusive and dynamic workplace. The company offers fair and diverse recruitment policies, excellent benefits, various opportunities for training and development for staff and a full Employee Assistance Programme.

In addition, there have been several recent wellbeing initiatives put in place for employees including:

- The launch of a "core hours" and remote working policy (prior to the national lockdown in March 2020), allowing employees more flexibility to improve their work/life balance
- The introduction of a new online wellbeing platform called Unmind, which provides employees with access to daily check-ups, tools and information on further resources, as a preventative way of recognising and managing mental health concerns
- Mental health training for all managers, in collaboration with MIND, to spot signs of stress and learn best practice techniques for managing these scenarios
- The opportunity for every employee to take two Premium Days a year, to focus on personal development, such as learning a new skill, or giving back to the community through volunteering.

The board also works closely with our various Employee Resource Groups, for example the diversity and LGBTQ+ committees, to help provide training, education and cultural awareness sessions to all employees as well as support the wider community where appropriate.

Covid-19 has understandably had a significant impact on the employees of the company. While board members are proud of the ingenuity and resilience of employees working from home, they are conscious of the impact this can have on blurring the boundaries between work and home life. Employees are being supported in various ways during this time, including the development of working from home etiquette, providing necessary equipment, guidance on remote leadership skills, and a range of free online fitness, yoga and mindfulness courses.

Engagement with wider stakeholders

Artists

Building and maintaining strong relationships with our artists is at the core of our business. Our A&R teams continue to support both established and developing artists in order to create the best music in the world, as proven by consistent chart success and industry recognition including at the most recent GRAMMY, Ivor Novello and BRIT awards.

The board strives to help support artists in new ways wherever possible. Recent developments include:

- Acquiring a London recording studio that will become a place for our artists to write, record and collaborate with each other in a creative environment
- Launching "Real Time Royalties" whereby artists can log onto our Sony Music Artist Portal to view royalty earnings in real-time and take cash earnings out in advance of regular royalty reporting
- Supporting artists on various philanthropic projects which they champion

Directors' Report for the Year Ended 31 March 2020 (continued)

Shareholders

The ultimate parent of the company is Sony Corporation, a company listed in Japan. The board regularly communicates with Sony Corporation through various channels including:

- Regular management reporting;
- Strategic co-ordination and consultation on significant transactions and investment opportunities; and
- Working capital collaboration with Sony Global Treasury Services.

Business relationships - suppliers and customers

The company maintains high ethical and business standards in its dealings with all suppliers and customers.

Over the last 12 months the company has maintained prompt contractual payments to all suppliers. This payment performance measure has been maintained during Covid-19 to ensure our suppliers received payment in a timely manner during a difficult trading period for many.

Where appropriate, credit terms were extended for many of our customers during the Covid-19 crisis to assist with their trading pressures. Whilst ensuring our credit risk was managed efficiently, payment plans were also offered to those customers in need of additional assistance.

Social impact

Given music's ability to reach, engage and unite people, the board recognises the importance of the company prioritising community outreach, we do this through our work with various charities and initiatives including:

- *Positive Influence*, an annual talent inclusion programme in which employees have the chance to mentor young individuals from lower socio-economic backgrounds looking to gain access to the creative industries
- Participation in Sony Music Group's \$100M global Social Justice Fund, which distributes grants to various initiatives and organisations that tackle structural inequality and foster equal rights
- Participation in Sony's \$100M Covid-19 Relief Fund, which provides assistance to frontline medical efforts, online educational resources and support for members of the creative communities who are unable to work
- Our annual UK charity of the year, which is supported by staff fund-raising and has included Young Minds, MIND and the World Wildlife Fund
- Targeted support for specific charity programmes, including The World's Big Sleepout, our nationwide bursary programme for music therapy charity Nordoff Robbins, an ongoing commitment to supporting the Young Urban Arts Foundation and Key4Life's rehabilitation programme for youth offenders

Directors' Report for the Year Ended 31 March 2020 (continued)

Environmental impact

The board is committed to reducing the impact of all of its operations on the environment. Sony Corporation has a Global Environmental Management System in place and has set a goal of the Sony group being carbon neutral by 2050. The directors ensure the Company plays its part in these actions and initiatives.

We have implemented an Environmental Management System, with policies and procedures relating to anything that may affect the environment. This is audited by a third-party and has been awarded the globally recognised ISO14001 environmental certification.

The company is taking various steps to help reduce its environmental footprint including:

- Prioritising manufacturing partners that hold ISO 14001 or 9001 certifications
- Establishing objectives and targets for reducing energy usage, waste and water consumption in the office, the policies of which are communicated regularly to employees
- Sony Music UK's office eliminated single-use plastic in 2018
- The company is part of the BASE committee - a cross-industry body for home entertainment companies that maps sustainability commitments including minimum standard guidelines and best practice goals, for example on packaging, recycling and Carbon Literacy training

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 2020 (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 retrain and adjusts their environment where possible to allow them to maximise their potential. In January 2020 Sony Music UK signed The Valuable 500 campaign pledge for disability inclusion, the first entertainment company to do so.

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 2020 amounted to £71,000 (2019: £9,000).

Directors' Report for the Year Ended 31 March 2020 (continued)

Streamlined energy and carbon reporting

Sony Music Entertainment UK Limited (the "company") has considered the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and the associated Streamlined Energy and Carbon Reporting and recognise that the company is required to report on its annual UK energy use and associated greenhouse gas emissions in this Directors' report.

As this is the first financial year that the company is required to report on these requirements, it is understood that the company is not required to disclose the relevant energy and carbon emissions for the previous financial year.

Emissions and energy use		2020
Emissions from combustion of gas (scope 1)	Tonnes CO2e	n/a
Emissions from combustion of fuel for transport purposes (scope 1)	Tonnes CO2e	18
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (scope 3)	Tonnes CO2e	5
Emissions from purchased electricity (scope 2 location based)	Tonnes CO2e	306
Total gross CO2e based emissions based on above	Tonnes CO2e	330
Energy consumption used to calculate emissions	KWh	1,294,170
Intensity ratio: Energy consumption per sq ft	KWh per sq ft	13

Methodology

The data has been calculated using the 2019 UK Government guidelines for company reporting, specifically, the conversion factors for greenhouse gas company reporting (the UK Government Conversion Factors for GHG Company Reporting).

Emissions have been identified and categorised into three 'scopes' of emission-releasing activities, as defined in the UK Government Conversion Factors for GHG Company Reporting:

- **Scope 1 (direct emissions)** emissions are those from activities owned or controlled by an organisation.
- **Scope 2 (energy indirect)** emissions are those released into the atmosphere that are associated with the consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of an organisation's energy use but occur at sources not owned or controlled by the organisation.
- **Scope 3 (other indirect)** emissions are a consequence of an organisation's actions that occur at sources not owned or controlled by an organisation and that are not classed as 'scope 2' emissions.

Directors' Report for the Year Ended 31 March 2020 (continued)

Emissions have been calculated as follows:

- Electricity: Emissions (CO₂e) in the UK resulting from purchased electricity have been calculated from meter readings (kWh). Location-based emissions reflect the average emission of the grid where the energy consumption occurs.
- Transport: Emissions (CO₂e) from business travel whereby the company is responsible for purchasing the fuel have been calculated. This includes company cars, vehicle hires and private business miles

For company cars and vehicle hires, actual mileage, make, model and engine size have been used to calculate the emissions.

As the number of business miles travelled are not known for the private vehicle use, the 'distance-based' method for calculating emissions has been used, as defined by Greenhouse Gas Protocol Corporate Accounting and Reporting Standard: Technical Guidance for Calculating Scope 3 Emissions.

For private vehicle use the make, model, engine size and the fuel type of the cars used are not known, so the following assumptions have been made and appropriate conversion factors used:

- vehicle make/model: the conversion factor for an 'average' size of car has been used
- fuel type: 50% petrol, 50% diesel
- Intensity ratio: kWh per square foot

100% of the company's electricity use is offset through the purchase of Renewable Energy Certificates from ECOHZ. These are purchased on behalf of the company by Sony Corporation as part of the Global Environmental Management System (GEMS)'s commitment to reduce the Corporation's carbon foot print and environmental impact. Please refer to S172 Corporate governance disclosures for more detail on our energy saving initiatives.

Directors' Report for the Year Ended 31 March 2020 (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' Report for the Year Ended 31 March 2020 (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 25 March 2021 and signed on its behalf by:



Adobe Sign Transaction Number: CBJCHBCAABAA4IvaCUoYTI-WAaD4TKSJC1euaQcgbJYI

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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 2020 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: Balance Sheet as at 31 March 2020; Profit and Loss Account, Statement of Comprehensive Income, 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 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 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.

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 2020 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 10, 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. 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
London

25 March 2021

Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	278,537	263,995
Cost of sales		<u>(125,066)</u>	<u>(123,079)</u>
Gross profit		153,471	140,916
Distribution costs		(27,397)	(27,978)
Administrative expenses		(92,607)	(63,517)
Other operating income	5	<u>110</u>	<u>37,670</u>
Operating profit	6	<u>33,577</u>	<u>87,091</u>
Income from interest in jointly controlled entities		1,158	1,543
Interest receivable and similar income	9	5	4
Amounts written off investments	14	-	(56,712)
Reversal of prior year impairment losses	14	-	5,743
Interest payable and similar expenses	10	<u>(3,294)</u>	<u>(2,299)</u>
		<u>(2,131)</u>	<u>(51,721)</u>
Profit before taxation		31,446	35,370
Tax on profit	11	<u>(9,823)</u>	<u>(14,208)</u>
Profit for the financial year		<u><u>21,623</u></u>	<u><u>21,162</u></u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Profit for the financial year		21,623	21,162
Remeasurement loss on defined benefit pension scheme	24	-	(1,369)
Total comprehensive income for the financial year		<u>21,623</u>	<u>19,793</u>

Registration number: 01471066
Balance Sheet as at 31 March 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	12	13,854	22,774
Tangible assets	13	4,088	2,796
Investments	14	204,380	203,523
Debtors: amounts falling due after more than one year	16	-	3,528
		<u>222,322</u>	<u>232,621</u>
Current assets			
Stocks	15	1,213	-
Debtors: amounts falling due within one year	16	229,228	247,084
Debtors: amounts falling due after more than one year	16	42,944	-
Cash at bank and in hand		<u>19,366</u>	<u>2,305</u>
		292,751	249,389
Creditors: Amounts falling due within one year	17	<u>(208,007)</u>	<u>(161,810)</u>
Net current assets		<u>84,744</u>	<u>87,579</u>
Total assets less current liabilities		307,066	320,200
Creditors: amounts falling due after more than one year	17	-	(34,838)
Provisions for liabilities	18	<u>(1,402)</u>	<u>(1,321)</u>
Net assets		<u>305,664</u>	<u>284,041</u>
Capital and reserves			
Called up share capital	20	5,251	5,251
Share premium account		45,015	45,015
Other reserves		43,709	43,709
Retained earnings		<u>211,689</u>	<u>190,066</u>
Total equity		<u>305,664</u>	<u>284,041</u>

Approved and authorised by the Board on 25 March 2021 and signed on its behalf by:

William Rowe

William Rowe (Mar 25, 2021 09:38 GMT)

Adobe Sign Transaction Number: CBJCHBCAABAA4IvaCUoYTI-WAaD4TKSJC1euaQcgbJYI

William Rowe
Director

The notes on pages 19 to 47 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 March 2020

	Called up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2019	5,251	45,015	43,709	190,066	284,041
Profit for the financial year	-	-	-	21,623	21,623
At 31 March 2020	<u>5,251</u>	<u>45,015</u>	<u>43,709</u>	<u>211,689</u>	<u>305,664</u>

	Called up share capital £ 000	Share premium account £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
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>

Notes to the Financial Statements for the Year Ended 31 March 2020

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 25 March 2021.

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 2020 (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 2020 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 2020 (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 2020 (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 2020 (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:

Land and buildings - life of lease
Equipment - 20% - 33.3%
Furniture and fittings - 14.3%

The cost of PCs and peripherals are expensed as incurred.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average cost method.

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 2020 (continued)

2 Accounting policies (continued)

Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of 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.

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

3 Critical accounting judgements and estimation uncertainty

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

The directors have concluded that the only material judgements made during the preparation of the financial statements have been the determination of the carrying values of the investments, the recoverability of royalty advances and the value of accrued royalties.

Notes to the Financial Statements for the Year Ended 31 March 2020 (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:

	2020	2019
	£ 000	£ 000
UK	181,290	172,856
Rest of world	97,247	91,139
	<u>278,537</u>	<u>263,995</u>

5 Other operating income

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

	2020	2019
	£ 000	£ 000
Royalty based financial income	-	37,381
Provision for artist royalty relating to royalty based financial income	42	-
Miscellaneous other operating gains	313	289
Miscellaneous other operating losses	(245)	-
	<u>110</u>	<u>37,670</u>

Royalty based financial income arose in the prior year 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 2020 (continued)

6 Operating profit

Arrived at after charging/(crediting)

	2020	2019
	£ 000	£ 000
Depreciation expense	648	718
Amortisation expense	5,366	5,366
Impairment of intangible assets	3,554	-
Impairment of amounts owed by group undertakings	15,282	-
Auditors' remuneration - Audit of company's and subsidiaries financial statements	174	140
Operating lease charges - Plant and machinery	76	78
Operating lease charges - Rent	4,361	4,325
Service fees	(983)	(1,075)
Foreign exchange gains	<u>(546)</u>	<u>(2,846)</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.

	2020	2019
	£ 000	£ 000
Aggregate emoluments	1,090	1,068
Pension scheme contributions	<u>33</u>	<u>46</u>
	<u>1,123</u>	<u>1,114</u>

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

	2020	2019
	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 2020 (continued)

7 Directors' remuneration (continued)

In respect of the highest paid director:

	2020	2019
	£ 000	£ 000
Remuneration	538	526
Company contributions to money purchase pension schemes	<u>33</u>	<u>46</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:

	2020	2019
	£ 000	£ 000
Wages and salaries	29,783	29,638
Social security costs	3,537	3,420
Other pension costs	<u>1,676</u>	<u>1,465</u>
	<u>34,996</u>	<u>34,523</u>

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

	2020	2019
	No.	No.
Sales, marketing and distribution	224	214
Administration and support	<u>106</u>	<u>103</u>
	<u>330</u>	<u>317</u>

9 Interest receivable and similar income

	2020	2019
	£ 000	£ 000
Interest income on bank deposits	<u>5</u>	<u>4</u>

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

10 Interest payable and similar expenses

	2020	2019
	£ 000	£ 000
Other loans	2,454	1,439
Pension expense (net)	840	860
	<u>3,294</u>	<u>2,299</u>

11 Tax on profit

Tax charged in the profit and loss account

	2020	2019
	£ 000	£ 000
Current taxation		
UK corporation tax	7,502	15,271
UK corporation tax adjustment to prior periods	<u>(322)</u>	<u>(2,406)</u>
	7,180	12,865
Foreign tax	<u>2,707</u>	<u>1,595</u>
Total current income tax	<u>9,887</u>	<u>14,460</u>
Deferred taxation		
Arising from origination and reversal of timing differences	116	(44)
Arising from changes in tax rates and laws	(180)	5
Arising from adjustment in respect of previous periods	<u>-</u>	<u>(213)</u>
Total deferred taxation	<u>(64)</u>	<u>(252)</u>
Tax expense in the profit and loss account	<u>9,823</u>	<u>14,208</u>

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

11 Tax on profit (continued)

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>31,446</u>	<u>35,370</u>
Corporation tax at standard rate	5,975	6,720
(Decrease)/increase from effect of tax rate change on opening balance	(180)	5
Effect of revenues exempt from taxation	(26)	(3)
Effect of expense not deductible in determining taxable profit (tax loss)	4,376	10,469
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	(322)	(2,618)
Tax increase arising from overseas tax suffered/expensed	<u>-</u>	<u>595</u>
Total tax charge	<u>9,823</u>	<u>14,208</u>

Legislation to maintain the main rate of corporation tax at 19% from 1 April 2020 was included in the Finance Act 2020, which was substantively enacted as of 17 March 2020 and received Royal Assent on 22 July 2020. The deferred taxes at the balance sheet date have been measured using this enacted rate and reflected in these financial statements.

The company has trading losses carried forward of £6,279,016 (2019: £6,377,810). No deferred tax asset has been recognised on £4,862,810 (2019: £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 2020 is £923,934 (2019: £826,678).

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

12 Intangible assets

	Goodwill £ 000	Trademarks, patents and licenses £ 000	Total £ 000
Cost or valuation			
At 1 April 2019	59,108	36,101	95,209
At 31 March 2020	59,108	36,101	95,209
Accumulated amortisation			
At 1 April 2019	42,512	29,923	72,435
Amortisation charge	2,742	2,624	5,366
Impairment	-	3,554	3,554
At 31 March 2020	45,254	36,101	81,355
Carrying amount			
At 31 March 2020	13,854	-	13,854
At 31 March 2019	16,596	6,178	22,774

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

13 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 April 2019	17,726	5,638	23,364
Additions	<u>1,900</u>	<u>41</u>	<u>1,941</u>
At 31 March 2020	<u>19,626</u>	<u>5,679</u>	<u>25,305</u>
Accumulated depreciation			
At 1 April 2019	16,434	4,134	20,568
Charge for the year	<u>296</u>	<u>353</u>	<u>649</u>
At 31 March 2020	<u>16,730</u>	<u>4,487</u>	<u>21,217</u>
Carrying amount			
At 31 March 2020	<u>2,896</u>	<u>1,192</u>	<u>4,088</u>
At 31 March 2019	<u>1,292</u>	<u>1,504</u>	<u>2,796</u>

14 Investments

	2020 £ 000	2019 £ 000
Investments in subsidiaries	<u>204,380</u>	<u>203,523</u>
Subsidiaries		£ 000
Cost or valuation		
At 1 April 2019		417,502
Additions		<u>857</u>
At 31 March 2020		418,359
Provisions for permanent diminution in value		
At 31 March 2020		<u>213,979</u>
Carrying amount		
At 31 March 2020		<u>204,380</u>
At 31 March 2019		<u>203,523</u>

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

14 Investments (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			
			2020	2019		
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 2020 (continued)

14 Investments (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 (UK) Limited	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 2020 (continued)

14 Investments (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%
Kontraband Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	100%	0%
Joint ventures				
Syco Entertainment Limited	9-13 St. Andrew Street, London EC4A 3AF U.K.	100% A class share capital	50%	50%
Syco Holdings Limited	9-13 St. Andrew Street, London EC4A 3AF U.K.	50% A class share capital 100% B class share capital 100% D class share capital	50%	50%
Promised Land Recordings Ltd	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%
Broccoli Content Ltd	9 Derry Street, London W8 5HY U.K.	ordinary share capital	50%	0%
B1 Records Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	50%	0%
Stackhouse Music Management Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	50%	0%

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

14 Investments (continued)

Associates

Lissie & Co Limited	9 Derry Street, London W8 5HY U.K.	ordinary share capital	25%	25%
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Joint Arrangements

Now That's What I Call Music LLP (50%)	9 Derry Street, London W8 5HY, UK	membership interest	50%	50%
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Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

14 Investments (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%)	9-13 St. Andrew Street, London EC4A 3AF, UK	ordinary share capital	100%	100%
Maidmetal Limited (50%)	9-13 St. Andrew Street, London EC4A 3AF, UK	A class share capital	100%	100%

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

14 Investments (continued)

Maidmetal Entertainment Limited (50%)	9-13 St. Andrew Street, London EC4A 3AF, 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%)	9-13 St. Andrew Street, London EC4A 3AF, 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%)	9-13 St. Andrew Street, London EC4A 3AF, 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%)	9-13 St. Andrew Street, London EC4A 3AF, 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 2020 (continued)

15 Stocks

	2020	2019
	£ 000	£ 000
Finished goods and goods for resale	<u>1,213</u>	<u>-</u>

16 Debtors

	Note	2020	2019
		£ 000	£ 000
<i>Amounts falling due within one year:</i>			
Trade debtors		24,969	22,612
Amounts owed by group undertakings		47,100	66,095
Other debtors		8,045	18,535
Other taxation and social security		3,205	5,249
Royalty advances		15,302	7,704
Dividends receivable		110,454	110,454
Group relief debtor	11	-	4,037
Corporation tax receivable	11	1,403	-
Prepayments and accrued income		<u>18,750</u>	<u>12,398</u>
		<u>229,228</u>	<u>247,084</u>
<i>Amounts falling due after more than one year:</i>			
Deferred tax asset		1,591	1,528
Royalty advances		25,550	2,000
Amounts owed by group undertakings		<u>15,803</u>	<u>-</u>
		<u>42,944</u>	<u>3,528</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. In the current year a portion of this balance has been re-classified to amounts due after one year, to reflect the rolling nature of intercompany balances.

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

17 Creditors

	Note	2020 £ 000	2019 £ 000
Amounts falling due within one year:			
Trade creditors		28,859	22,702
Amounts owed to group undertakings		56,779	49,447
Group relief payable	11	-	6,264
Other creditors		9,680	6,600
Royalties and licences		52,418	59,010
Loan notes		40,011	2,781
Accruals and deferred income		20,260	15,006
		208,007	161,810
Amounts falling due after more than one year:			
Loan notes		-	34,838

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 discounted value of £33,396,000 comprising of four separate tranches which can be summarised per below. These values represent the present value of the loan notes that were initially recorded on 7 July 2015.

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

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

18 Provisions for liabilities

	Other provisions £ 000	Total £ 000
At 1 April 2019	1,321	1,321
Increase in existing provisions	<u>81</u>	<u>81</u>
At 31 March 2020	<u>1,402</u>	<u>1,402</u>

The provision relates to a dilapidation obligation.

19 Deferred taxation

	2020 £ 000	2019 £ 000
Accelerated tax depreciation	1,034	959
Other short term timing differences	288	311
Tax losses carry-forwards	<u>269</u>	<u>258</u>
Undiscounted deferred tax asset	<u>1,591</u>	<u>1,528</u>

20 Called up share capital

Allotted, called up and fully paid shares

	2020		2019
	No. 000	£ 000	No. 000 £ 000
Ordinary shares of £1 each	<u>5,251</u>	<u>5,251</u>	<u>5,251 5,251</u>

21 Commitments

Artist advance commitments

At 31 March 2020, the company has a total contractual commitment in respect of artist advances and recording costs of £18,656,000 (2019: £29,350,000) of which £18,656,000 relates to the next financial year (2019: £28,950,000).

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

22 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	5,013	4,697
Later than one year and not later than five years	7,120	11,567
Later than five years	<u>292</u>	<u>16</u>
	<u><u>12,425</u></u>	<u><u>16,280</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,437,000 (2019 - £4,403,000).

23 Guarantees

At 31 March 2020 the company had in issue guarantees to Barclays Bank Plc for Customs and Excise for £60,000 in respect of deferred VAT (2019: £60,000).

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

24 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 2020, the market value of the scheme's assets was £155,589,000 (2019: £144,040,000). 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 made no pension contributions during the year (2019: £1,480,000).

The company's current service cost for the scheme for the year was £840,000 (2019: £860,000).

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 2020 (continued)

24 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:

	2020 £ 000	2019 £ 000
Fair value of scheme assets	155,589	144,040
Present value of defined benefit obligation	<u>(105,992)</u>	<u>(112,782)</u>
Surplus	49,597	31,258
Irrecoverable surplus (effect of asset ceiling)	<u>(49,597)</u>	<u>(31,258)</u>
Defined benefit pension scheme surplus/(deficit)	<u>-</u>	<u>-</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020 £ 000
Present value at start of year	112,782
Current service cost	840
Interest cost	2,484
Actuarial gains and losses	(4,467)
Benefits paid	(4,807)
Other adjustments	<u>(840)</u>
Present value at end of year	<u>105,992</u>

Fair value of scheme assets

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

	2020 £ 000
Fair value at start of year	144,040
Interest income	3,187
Actuarial gains and losses	13,169
Benefits paid	<u>(4,807)</u>
Fair value at end of year	<u>155,589</u>

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

24 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2020 £ 000	2019 £ 000
Debt instruments	155,589	143,608
Other	-	432
	<u>155,589</u>	<u>144,040</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:

	2020 %	2019 %
Discount rate	2.20	2.25
Pension increase assumption (Post 97 pension)	2.50	2.95
Retail Inflation assumption	2.50	3.20
Consumer Inflation assumption	<u>1.75</u>	<u>2.20</u>

Post retirement mortality assumptions

	2020 Years	2019 Years
Current UK pensioners at retirement age - male	23.00	23.00
Current UK pensioners at retirement age - female	<u>24.00</u>	<u>24.00</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 2020 amounted to £1,743,602.

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 2020 (continued)

25 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.

26 Related party transactions

As at 31 March 2020, Syco Entertainment Limited owed Sony Music Entertainment UK Limited £87,189,000 (2019: £87,189,000). Syco Entertainment Limited is a related party as the company own 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 £2,933,000 (2019: £4,229,000) and made payments of £3,141,000 (2019: £5,618,000) 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 2020, the charge was £1,441,000 (2019: £1,615,000). In addition, Simco Limited licensed artists to Sony Music Entertainment Ltd globally and received licensing royalties in return, for the year ended 31 March 2020 this amounted to £2,933,000 (2019: £4,229,000).

The amount owed to Sony Music Entertainment UK Limited by Simco Limited as at 31 March 2020 was £970,000 (2019: £2,971,000). 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 £6,000 (2019: £9,000) during the year. The amount owed to Ronagold Limited by Sony Music Entertainment UK Limited as at 31 March 2020 was £nil (2019: £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 2020, Maidmetal Limited was owed £133,000 (2019: £66,000) from Sony Music Entertainment UK Limited, this comprised of payments made by Sony Music Entertainment UK Limited on behalf of Maidmetal Limited of £657,000 (2019: £652,000) and funds received by Sony Music Entertainment UK Limited of £790,000 (2019: £718,000). 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.

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

26 Related party transactions (continued)

As at 31 March 2020, Over The Top Productions Limited owed Sony Music Entertainment UK Limited £1,000 (2019: £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 (2019: £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.

As at 31 March 2020 Syco Holdings Limited was owed £572,000 (2019: £162,000) by Sony Music Entertainment UK Limited.

Now That's What I Call Music LLP is a joint arrangement in which Sony Music Entertainment UK Limited has a 50% holding. Sony Music Entertainment UK Limited provides Now That's What I Call Music LLP with certain distribution and administrative services during the year. The net income from these transactions with Now That's What I Call Music LLP was £1,755,000 (2019: £2,573,000). The LLP also charged Sony Music Entertainment UK Limited for administrative and development costs during the year totalling £1,948,500 (2019: 1,848,000). Sony Music Entertainment UK Limited is also owed its 50% share of undistributed profits from Now That's What I Call Music LLP which is £1,755,000 at 31 March 2020 (2019: £1,797,000). The amount owed to Sony Music Entertainment UK Limited by the LLP at 31 March 2020 was £3,658,000 (2019: £3,526,500). The amount owed to the LLP by Sony Music Entertainment UK Limited at 31 March 2020 was £nil (2019: £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 £763,000 (2019: £735,000) 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 £1,309,000 (2019: £688,000).

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

27 Non adjusting events after the financial period

Following the year end date, on 17th September 2020, the company sold its shares in Syco Entertainment Limited and Syco Holdings Limited and acquired 100% of the shares in Ronagold Limited and Simco Limited. Income of £64,783,000 from dividends and a loss on disposal of £43,889,000 were recognised in the income statement.

Following the year end date, on 9th November 2020, the company purchased 100% of the shares in Probitry Worldwide Ltd and 35% of the shares in Probitry Europe Ltd. The remaining shares in Probitry Europe Ltd are owned by Probitry Worldwide Ltd and therefore Sony Music Entertainment UK Limited indirectly owns 100% of this entity.