

Registration number: 03185450

Sony Music Entertainment UK Holdings 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 that of an investment holding company.

Business review and results

The company made a loss for the financial year of £2,146,000 (2019: profit of £115,201,000). The net assets of the company at 31 March 2020 were £354,079,000 (2019: £356,225,000).

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 and its subsidiaries. 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.

Principal risks and uncertainties

The company considers its key risks and uncertainties to be associated with the financial and operating performance of its underlying subsidiaries. Uncertainties for the subsidiaries include 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.

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

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 subsidiaries have, however, continued to see growth in streaming revenues, which together with cost savings have minimised the negative effects on the business.

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

William Rowe

William Rowe (Mar 25, 2021 09:39 GMT)

Adobe Sign Transaction Number: CBJCH8CAABAAEDVPZqmIEWrRVvqlUNH419NjjPy11LO

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William Rowe
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 do not intend the activities of the business to change for the foreseeable future.

Dividends

The directors do not recommend a dividend payment to be made in respect of the financial year ended 31 March 2020 (2019: £116,915,000)

Directors of the company

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

William Rowe

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.

Employee engagement

The board recognises that the wellbeing of the subsidiary companies 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.

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

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 subsidiary companies 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

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.

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

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 and its subsidiaries have 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

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.

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

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's UK 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

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.

Liquidity risk

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

Going concern

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

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

Statement of directors' responsibilities in respect of the financial statements

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 a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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

William Rowe

William Rowe (Mar 25, 2021 09:39 GMT)

Adobe Sign Transaction Number: CBJCHBCAABAAEDVPZqmIEWrRVvqlUNH419NjjjPy11LO

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William Rowe

Director

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

Report on the audit of the financial statements

Opinion

In our opinion, Sony Music Entertainment UK Holdings 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 loss 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, 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 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 Holdings 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 7, 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 Holdings 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.


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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
Other operating expenses		<u>(33)</u>	<u>(18)</u>
Operating loss	4	(33)	(18)
Income from shares in group undertakings		-	116,915
Interest payable and similar expenses	6	<u>(2,617)</u>	<u>(2,496)</u>
(Loss)/profit before taxation		(2,650)	114,401
Tax on (loss)/profit	7	<u>504</u>	<u>800</u>
(Loss)/profit for the financial year		<u>(2,146)</u>	<u>115,201</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 March 2020

	2020 £ 000	2019 £ 000
(Loss)/profit for the financial year	<u>(2,146)</u>	<u>115,201</u>
Total comprehensive (Expense)/income for the financial year	<u><u>(2,146)</u></u>	<u><u>115,201</u></u>

Registration number: 03185450
Balance Sheet as at 31 March 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	8	581,581	581,581
Current assets			
Debtors: amounts falling due within one year	9	1,766	22,270
Debtors: amounts falling due after more than one year	9	20,184	-
		21,950	22,270
Creditors: amounts falling due within one year	10	(249,452)	(247,626)
Net current liabilities		(227,502)	(225,356)
Total assets less current liabilities		354,079	356,225
Net assets		354,079	356,225
Capital and reserves			
Called up share capital	11	23,789	23,789
Share premium account		300,000	300,000
Retained earnings		30,290	32,436
Total equity		354,079	356,225

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

William Rowe
William Rowe (Mar 25, 2021 09:39 GMT)

Adobe Sign Transaction Number: CBJCHBCAABAEDVPZqmIEWrRVvqlUNH419NjjiPy11LO

William Rowe
Director

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

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2019	23,789	300,000	32,436	356,225
Loss for the financial year	-	-	(2,146)	(2,146)
At 31 March 2020	<u>23,789</u>	<u>300,000</u>	<u>30,290</u>	<u>354,079</u>

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2018	23,789	300,000	34,150	357,939
Profit for the financial year	-	-	115,201	115,201
Dividends	-	-	(116,915)	(116,915)
At 31 March 2019	<u>23,789</u>	<u>300,000</u>	<u>32,436</u>	<u>356,225</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 Holdings 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.

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 nature of the business is primarily investment in Sony Music Entertainment subsidiaries across Europe. The directors are satisfied that these investments will provide sufficient income in the future and therefore have prepared the financial statements on a going concern basis. The company has net current liabilities of £227,502,000 (2019: £225,356,000).

Consolidated financial statements

The financial statements contain information about Sony Music Entertainment UK Holdings 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.

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

2 Accounting policies (continued)

Foreign currency transactions and balances

(i) Functional and presentational currency

The company's functional and presentation currency is the Pound Sterling.

(ii) Transactions and balances

Normal activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the statement of comprehensive income.

Taxation

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Sony Music UK entities, which include this company, are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. Such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief receivable is included in the taxation charge or credit for the year.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

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

2 Accounting policies (continued)

Investments

Investments are stated at cost less provision for any impairment. The company is included in the consolidated financial statements of Sony Corporation, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

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.

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 there are no material judgements or estimations to disclose.

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

4 Operating loss

Arrived at after charging:

	2020	2019
	£ 000	£ 000
Stewardship fee	<u>33</u>	<u>18</u>

The auditors' remuneration of £5,850 (2019: £2,275) has been borne by Sony Music Entertainment UK Limited, direct related undertaking, and not recharged to the Company.

5 Employees and Directors remuneration

The directors receive emoluments from the group for their services to the company and certain other subsidiaries in the group. The total emoluments are charged in the financial statements of other related group companies.

UK retirement benefits are accruing to 1 director (2019: 1) under a money purchase pension scheme, and are charged in the financial statements of Sony Music Entertainment UK Limited.

There were no persons employed by the company during the year (2019: nil) and consequently no staff costs (2019: £nil).

6 Interest payable and similar expenses

	2020	2019
	£ 000	£ 000
Foreign exchange gains	(30)	(3)
Interest payable on loans from group undertakings	<u>2,647</u>	<u>2,499</u>
	<u><u>2,617</u></u>	<u><u>2,496</u></u>

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

7 Tax on (loss)/profit

Tax credit in the profit and loss account:

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(504)	(1,262)
Adjustment in respect of previous periods	<u>-</u>	<u>463</u>
	<u>(504)</u>	<u>(800)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	-	785
Adjustment in respect of previous periods	<u>-</u>	<u>(785)</u>
	<u>-</u>	<u>-</u>
Tax receipt in the profit and loss account	<u>(504)</u>	<u>(800)</u>

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

7 Tax on (loss)/profit (continued)

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

	2020 £ 000	2019 £ 000
(Loss)/profit before tax	<u>(2,650)</u>	<u>114,401</u>
Corporation tax at standard rate	(504)	21,736
Effect of revenues exempt from taxation	-	(22,214)
Adjustment from previous periods	-	(322)
Tax decrease arising from group relief	-	(1,573)
Gains/rollover relief	<u>-</u>	<u>1,573</u>
Total tax credit	<u>(504)</u>	<u>(800)</u>

The company has trading losses and non trading loan relationship deficits carried forward of £Nil (2019: £Nil).

8 Investments

	2020 £ 000	2019 £ 000
Investments in subsidiaries	<u>581,581</u>	<u>581,581</u>

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

The company has the following related undertakings, all of which are incorporated in Great Britain and wholly owned except where otherwise indicated. All companies are unlisted.

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

8 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				
Sony Music Entertainment UK Limited	9 Derry Street, London W8 5HY , U.K.	ordinary share capital	100%	100%
Sony Music Entertainment International UK Limited	9 Derry Street, London W8 5HY, U.K.	ordinary share capital	100%	100%

Direct Related Undertakings - Sony Music Entertainment UK Limited

4 Tunes Music Publishing Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Blue Sky Music Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Century Media Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Charriet Music Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Cheeky Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Conifer Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Creation Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Deconstruction Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%

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

8 Investments (continued)

Dedicated Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Essential Music & Marketing Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Global Television Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Hansa Production Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Indolent Records Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Logic Records (UK) Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Major Label Limited	5a Bear Lane, Southwark, London SE1 0UH, UK	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, UK	ordinary share capital	100%	100%
Phonogenic Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Salli Isaak Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Siro Live Limited	9 Derry Street, London W8 5HY , UK	ordinary share capital	100%	100%
Sony Music Entertainment Eurodisc Limited	9 Derry Street, London W8 5HY , UK	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 , UK	ordinary share capital	100%	100%

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

8 Investments (continued)

UFA Video & Media (UK) Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Vogelcourt Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Wildstar Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Zomba Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	100%	100%
Black Butter Limited	9 Derry Street, London W8 HY, UK	100% B class share capital	49%	49%
Kontraband Limited	9 Derry Street, London W8 HY, UK	ordinary share capital	100%	0%

Direct Joint Ventures

Syco Entertainment Limited (50%)	9-13 St. Andrew Street, London EC4A 3AF, UK	A class share capital	100%	100%
Syco Holdings Limited (50%)	9-13 St. Andrew Street, London EC4A 3AF, UK	A class share capital	50%	50%
		B class share capital	100%	100%
		D class share capital	100%	100%
Promised Land Recordings Limited (49%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	49%	49%
Sign Of The Times Records Limited (51%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	51%	51%
Broccoli Content Ltd	9 Derry Street, London W8 5HY, UK	ordinary share capital	50%	0%
B1 Records Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	50%	0%
Stackhouse Music Management Limited	9 Derry Street, London W8 5HY, UK	ordinary share capital	50%	0%

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

8 Investments (continued)

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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Associated Undertakings

Lissie & Co Limited (25%)	9 Derry Street, London W8 5HY, UK	ordinary share capital	25%	25%
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Indirect Related Undertakings - Sony Music Entertainment UK Limited

(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%

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

8 Investments (continued)

(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%
Maidmetal Entertainment Limited (50%)	9-13 St. Andrew Street, London, England, EC4A 3AF	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	103 Gaunt Street, London, SE1 6DP, UK	ordinary share capital	100%	100%
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Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

8 Investments (continued)

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	10100 Santa Monica Blvd, Suite 500 Los Angeles, CA 90067, USA	membership interest	100%	50%
The Rush Productions, LLC	9830 Wilshire Blvd., Beverly Hills, CA 90212	ordinary share capital	100%	100%
Saban Brands Music LLC	10100 Santa Monica Blvd, Suite 500 Los Angeles, CA 90067	ordinary share capital	100%	100%

Direct Related Undertakings - Sony Music Entertainment International Limited

Sony Music Entertainment Austria GmbH	Mariahilfer Str. 77-79, 1060 Wien, Austria	ordinary share capital	100%	100%
Sony Music Entertainment Belgium N.V	Hooikaai 55, 1000 Brussels, Belgium	ordinary share capital	99%	99%
Sony Music Entertainment Czech Republic Sro	Palackeho 1, 110 00, Prague 1, Czech Republic	ordinary share capital	80%	80%
Sony Music Entertainment Denmark AS	Vognmagergade 7, 6 sal, 1120, Copenhagen K, Denmark	ordinary share capital	100%	100%
Sony Music Entertainment Finland OY	Tallberginkatu 2 A, 00180 Helsinki, Finland	ordinary share capital	100%	100%
Sony Music Entertainment Greece S.A.	Avenue Amarousiou-Halandriou 18-20, Marousi 15125 Athens, Greece	ordinary share capital	99.99%	99.99%

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

8 Investments (continued)

Sony Music Entertainment Hungary KFT	Level u.4, H-1023 Budapest, Hungary	ordinary share capital	100%	100%
Sony Music Entertainment Italy SPA	via Carlo Imbonati, 22 20158, Milano, Italy	ordinary share capital	100%	100%
Sony Music Entertainment Norway AS	Gjerdrumsvei 10A, 0402 Oslo, Norway	ordinary share capital	100%	100%
Sony Music Entertainment Poland Sp. Z.O.O.	Ul. Choralna 14, 02-879 Warsaw, Poland	ordinary share capital	100%	100%
Sony Music Entertainment Portugal LDA	Av. Torre de Belem, N 19, 1º DTO. 1400-342 Lisboa, Portugal	ordinary share capital	100%	100%
Sony Music Entertainment Sweden AB	Box 3187, SE 10363 Stockholm, Sweden	ordinary share capital	100%	100%
Sony Music Entertainment Switzerland GmbH	Letzigraben 89, CH-8003 Zurich, Switzerland	ordinary share capital	100%	100%
Sony Music Entertainment Turkey AS	Cumhuriyet Cad Pegasus Evi No:48/2B Elmadag 34367 Istanbul, Turkey	ordinary share capital	100%	100%
Sony Music Entertainment France SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	100%	100%
Sony Music Entertainment International Services GmbH	Balanstr. 73, Haus 31, 81541 München, Germany	ordinary share capital	100%	100%
Raymond Gubbay Limited	1 Ely Place, London EC1N 6RY, U.K.	ordinary share capital	100%	100%
SMEIL Digital Limited	9 Derry Street, Kensington London W8 5HY	ordinary share capital	100%	100%
Senbla Limited	The Old Grange Warren Estate, Lordship Rd, Writtle, Essex, CM1 3WT, United Kingdom	ordinary share capital	51%	0%

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

8 Investments (continued)

Indirect Related Undertakings - Sony Music Entertainment International Limited

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

Discowax APS	Nørrebrogade 45C, 2., 2200 Copenhagen N, Denmark	ordinary share capital	100%	100%
Mermaid Records ApS	Vognmagergade 7, 6 sal, 1120, Copenhagen K, Denmark	ordinary share capital	100%	100%
One Seven Music ApS	Nørrebrogade 45C, 2., 2200 Copenhagen N, Denmark	ordinary share capital	48%	48%
One Seven Publishing ApS	Nørrebrogade 45C, 2., 2200 Copenhagen N, Denmark	ordinary share capital	48%	48%
DV Holding 2007 ApS	Vognmagergade 7, 1120 Copenhagen K, Denmark	ordinary share capital	100%	100%
Flex Music ApS	Vognmagergade 7, 6 sal, 1120, Copenhagen K, Denmark	ordinary share capital	49%	49%
Black Pelican Entertainment ApS	Nørrebrogade 45C, 2., 2200 Copenhagen N, Denmark	ordinary share capital	100%	100%
MX3 ApS	Nørrebrogade 45C, 2., 2200 Copenhagen N, Denmark	ordinary share capital	50%	50%

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

Sakara-Tuotanto OY (39%) PB 799, 33010 Tampere, Finland	ordinary share capital	39%	39%
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(c) Sony Music Entertainment International Services GmbH (100%) subsidiaries

Sony Music Entertainment Germany GmbH	Balanstr. 73, Haus 31, 81541 München, Germany	ordinary share capital	100%	100%
105 Music GmbH	Balanstr. 73, Haus 31, 81541 München, Germany	ordinary share capital	0%	100%

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

8 Investments (continued)

B1 Recordings GmbH	Balanstr. 73, Haus 31, 81541 München, Germany	ordinary share capital	51%	51%
Bucardo-Kunst und Kulturproduktionen GmbH	Pleistemühlenweg 194, 48157 Münster, Germany	ordinary share capital	100%	100%
Four Music Productions GmbH	Schlegelstr. 26 B, 10115 Berlin, Germany	ordinary share capital	100%	100%
Hansa Music Entertainment GmbH	Schlegelstr. 26 B, 10115 Berlin, Germany	ordinary share capital	100%	100%
MEDIA KULTUR KÖLN Projektentwicklungs- und Veranstaltungs GmbH	Im Mediapark 7, 50670 Köln, Germany	ordinary share capital	30%	30%
New Talents AG	Balanstr. 73, Haus 31, 81541 München, Germany	ordinary share capital	100%	100%
Selfmade Records GmbH	Balanstr. 73, Haus 31, 81541 München (Munich), Germany	ordinary share capital	100%	0%

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

Heinz Music SRL	Rippa di Porta, Ticin 63/A-20 123 Milano, Italy	ordinary share capital	50%	50%
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(e) Sony Music Entertainment Sweden AB (100%) subsidiaries

Family Tree Music AB	Rådmansgatan 74, 113 60 Stockholm, Sweden	ordinary share capital	0%	100%
TGR Music Group AB	Erikslundsgatan 9, 126 32 Hagersten, Stockholm, Sweden	ordinary share capital	25%	25%

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

Phononet AG	Baslerstrasse 30, CH-8048 Zurich, Switzerland	ordinary share capital	33.33%	33.33%
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Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

8 Investments (continued)

(g) Sony Music Entertainment France SAS (100%) subsidiaries

AVREP SA	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	98.8%	98.8%
Les Vergers SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	100%	100%
Arachnee Productions SAS	52/54, rue de Châteaudun – 75009 Paris - France	ordinary share capital	100%	100%
Holy Production SAS	2/54, rue de Châteaudun – 75009 Paris - France	ordinary share capital	50%	50%
Sa Majeste Productions SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	67%	67%
WATI B SAS	52/54, rue de Chateaudun, 75009 Paris, France	ordinary share capital	30%	30%
WLG SAS	173-175, rue due Faubourg Poissonnière, 75009 Paris, France	ordinary share capital	33.33%	33.33%
WATI B Prod SAS	52/54, rue de Châteaudun – 75009 Paris - France	ordinary share capital	100%	30%
Make The Link	14, rue des Epinettes - 75017 Paris - France	ordinary share capital	100%	0%
Editions Jade SARL	52/54, rue de Châteaudun – 75009 Paris - France	ordinary share capital	100%	0%
Editions Milan Music SAS	52/54, rue de Châteaudun – 75009 Paris - France	ordinary share capital	100%	0%

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

8 Investments (continued)

(h) Sony Music Entertainment Norway AS (100%) Subsidiaries

Petroleum Records AS	Torggata 11, 0181 Oslo, Norway	ordinary share capital	49%	49%
Popular Demand Management AS	Erika Nissens gate 13B, 0480 Oslo, Norway	ordinary share capital	33.34%	33.34%
Nora Collective AS	Storgata 36C, 0182 Oslo, Norway	ordinary share capital	40%	0%

(i) Raymond Gubbay Limited (100%) subsidiaries

Raymond Gubbay Productions Limited	1 Ely Place, London EC1N 6RY, UK	ordinary share capital	100%	100%
Manchester Chamber Orchestra Limited	1 Ely Place, London EC1N 6RY, UK	ordinary share capital	100%	100%
Manchester Concert Orchestra Limited	1 Ely Place, London EC1N 6RY, UK	ordinary share capital	60%	60%
Classical Spectacular Limited	1 Ely Place, London EC1N 6RY, UK	ordinary share capital	50%	50%

(j) Sony Music Entertainment Belgium N.V (99%) subsidiaries

Monar BVBA	54 Boskout, 200 Burcht, Belgium	ordinary share capital	35%	0%
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Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

9 Debtors

	Note	2020 £ 000	2019 £ 000
Amounts owed by group undertakings		-	20,782
Group relief debtor	7	<u>1,766</u>	<u>1,488</u>
		<u>1,766</u>	<u>22,270</u>
<i>Amounts falling due after more than one year:</i>			
Amounts owed by group undertakings		<u>20,184</u>	<u>-</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 this balance has been re-classified to amounts due after one year, to reflect the rolling nature of intercompany balances.

10 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Amounts owed to group undertakings	<u>249,452</u>	<u>247,626</u>

As at 31 March 2020 total interest bearing debt of £246,189,000 was owed to group undertakings (2019: £244,140,000). The associated interest paid during the financial year was £2,647,000 (2019: £2,499,000) based on an interest rate of between 1.1% and 1.3% (2019: between 0.9% and 1.1%).

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

11 Called up share capital

Allotted, called up and fully paid shares

	2020 No. 000	£ 000	2019 No. 000	£ 000
Ordinary shares of £1 each	<u>23,789</u>	<u>23,789</u>	<u>23,789</u>	<u>23,789</u>

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

12 Dividends

No dividends were declared or paid during the year (2019: £116,915,000).

13 Parent and ultimate parent undertaking

The company's immediate parent company is SBME Holdings B.V., a company incorporated in the Netherlands. 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 consolidated financial statements can be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

14 Related party transactions

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