

The Extreme Music Library Limited

ANNUAL REPORT

For the year ended 31 March 2022



Company number: 03248125

The Extreme Music Library Limited

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The Extreme Music Library Limited

DIRECTORS AND ADVISERS

DIRECTORS

R Emanuel
J Platt
G Henderson
T Kelly

COMPANY SECRETARY

Abogado Nominees Limited

REGISTERED OFFICE

4 Handyside Street,
London,
N1C 4DJ
United Kingdom

BUSINESS ADDRESS

4 Handyside Street,
London,
N1C 4DJ
United Kingdom

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
United Kingdom

PRINCIPAL BANKER

Lloyds Bank Plc
City Office
Bailey Drive
Gillingham Business Park
ME8 0LS

The Extreme Music Library Limited

STRATEGIC REPORT

The directors present their strategic report of The Extreme Music Library Limited for the year ended 31 March 2022.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a music library.

The results for the company show a profit before taxation of £13,921,923 (2021: £11,298,641) for the year and turnover of £28,075,550 (2021: £23,890,187). The company has net assets of £35,656,576 (2021: £30,616,216).

DEVELOPMENT OF CATALOGUES

We continue to invest in the development of the music library by reviewing and updating our catalogue of material on an ongoing basis. We also continue to invest in the delivery and marketing of the library. The directors regard such investment in research and development as integral to the continuing success of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks.

Aside from the impact of COVID-19 which resulted to unprecedented challenges to the business, the key business risks and uncertainties affecting the company are considered to relate to competition from both other music libraries and other sources where our clients can satisfy their music needs. Other key risks include technical advances in the delivery method of music library material, retention of key staff, and the retention of existing high profile writers. The directors continue to mitigate these risks by deploying the company's business model.

The Extreme Music Library Limited

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPI's)

A number of KPI's are detailed below which provide further analysis of the company's performance during the year, together with historical trend data.

KPI	2022	2021	
Turnover growth (%)	17.5%	9.4%	Year on year turnover growth expressed as a percentage. The increase in the turnover is mainly due to the impact of business being back post pandemic, where we have seen increase in usages/distribution of production music.
Gross margin (%)	61.1%	60.2%	Gross margin is the ratio of gross profit to turnover expressed as a percentage. The margin achieved in 2022 has seen a slight increase in comparison to 2021. This is due to the continued impact of the acquisition of a significant catalogue.
Operating margin (%)	47.4%	41.1%	Operating margin is the ratio of operating profit to turnover expressed as a percentage. The company has seen an increase in the operating margin in the year. This is due to the continued impact of the acquisition of a significant catalogue and maintaining the level of expenses year-on-year.

On behalf of the board

DocuSigned by:

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 G Henderson
 Director
 23 November 2022

The Extreme Music Library Limited

DIRECTORS' REPORT

The directors present their report with the audited financial statements of The Extreme Music Library Limited for the year ended 31 March 2022.

FUTURE OUTLOOK

Although the external commercial environment is expected to remain competitive, the directors are confident that the success seen in the current financial year will continue for the foreseeable future.

Business environment

The music library market is a competitive one, with competition from both other music libraries and other sources where our clients can satisfy their music needs.

Within this competitive environment, the company has differentiated itself from its competitors by establishing a diverse and comprehensive catalogue of material suitable to satisfy the broadest of client needs.

Strategy

The company's primary objective is to achieve attractive and sustainable rates of growth and returns through organic growth, through continual investment and the deployment of the company's business model.

The cornerstone of the 'Extreme' business model involves being able to deliver continually higher and better quality production music than our competitors. The company is able to excel at this by consistently recruiting and retaining high profile talented writers to work on and develop our library.

The company continues to explore new opportunities to grow the business through the development of its markets and through enhancing the scale and breadth of the music library. The board regularly reviews investment opportunities to grow the library organically and through acquisition.

The company expects its custom music venture to create additional opportunities to grow both the new venture and the core library operations with an expanded range of music and services for our clients.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include price risk, credit risk, cash flow risk, and foreign currency risk.

Following on from COVID-19 the offices are now fully open, and a new hybrid working has been implemented, whereby employees are required to work in the office Tuesday through to Thursday.

From a financial perspective, the budget process assumed normality post COVID. Revenue is assumed to grow reasonably year-on-year but still taking into account potential impact of COVID-19. As for operating expenses, salary increases and promotions have been implemented and hiring of new positions (if any) had been resumed. Business travels are also now budgeted to be back to pre-COVID levels.

Price risk

The company invests heavily in research and development of its music library. As a direct result, the board is able to regularly review market conditions and respond to changes in market conditions proactively. Given the nature of the business, the company is also able to fix the rate at which it remits royalties to its writers and is therefore able to maintain its gross profit contribution.

The Extreme Music Library Limited

DIRECTORS' REPORT

Credit risk

The company's exposure to credit risk is limited as a significant proportion of the company's income is remitted via industry accredited collection societies. Where the company does make direct sales to customers, the finance department has a policy of regularly reviewing individual customer accounts to ensure they are maintained within acceptable limits.

Cash flow risk

The company's treasury department regularly reviews the cash flow requirements of company. Where necessary the treasury department will make suitable internal arrangements to ensure funds are made available to facilitate working capital requirements of the company.

Foreign currency risk

The company's policy is to minimise foreign currency risk. The currency risk of holding assets and liabilities in foreign currencies across the company is managed by partially matching foreign currency assets with foreign currency liabilities.

RESULTS AND DIVIDENDS

The profit for the financial year transferred to reserves was £10,040,360 (2021: £9,365,533).

Dividends were paid in the year of £5,000,000 (2021: £0).

DIRECTORS

The following directors have held office from the beginning of the financial year and to the date of approval of these financial statements:

R Emanuel
G Henderson
J Platt
T Kelly

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, 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

The Extreme Music Library Limited

DIRECTORS' REPORT

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 also 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each director of the company, in office at the time of approval of this report, acknowledges that:

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

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next board meeting.

POST BALANCE SHEET EVENTS

There are no post balance sheet events subsequent to the year end.

On behalf of the board

DocuSigned by:

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G Henderson

Director

23 November 2022

The Extreme Music Library Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXTREME MUSIC LIBRARY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, The Extreme Music Library Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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, which comprise: the Balance Sheet as at 31 March 2022; the Statement of Comprehensive Income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

The Extreme Music Library Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXTREME MUSIC LIBRARY LIMITED

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 in respect of the Financial Statements, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud, including misappropriation of assets;
- Assessing significant judgements and estimates, in particular those relating to accrued income; and
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations.
- Assessing the financial statement disclosures, and testing to supporting documentation, for compliance with applicable laws and regulations.

The Extreme Music Library Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXTREME MUSIC LIBRARY LIMITED

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 November 2022

The Extreme Music Library Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £	Year ended 31 March 2021 £
TURNOVER	4	28,075,550	23,890,187
Cost of sales		(10,935,134)	(9,515,626)
GROSS PROFIT		17,140,416	14,374,561
Administrative expenses	5	(3,845,645)	(4,546,118)
OPERATING PROFIT	6	13,294,771	9,828,443
Income from shares in group undertakings		618,413	1,458,411
Interest receivable and similar income	7	8,739	11,787
PROFIT BEFORE TAXATION		13,921,923	11,298,641
Tax on profit	9	(3,881,563)	(1,933,108)
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		10,040,360	9,365,533

All results are derived from the continuing activities of the company.

The Extreme Music Library Limited

BALANCE SHEET

As at 31 March 2022

	Note	31 March 2022 £	31 March 2021 £
FIXED ASSETS			
Intangible assets	10	18,820,580	19,088,757
Tangible assets	11	5,631	12,173
Investments	12	37,449	37,449
		18,863,660	19,138,379
CURRENT ASSETS			
Debtors	13	12,894,369	8,878,391
Cash at bank and in hand		15,436,166	12,813,342
		28,330,535	21,691,733
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	14	(11,537,619)	(10,213,896)
NET CURRENT ASSETS		16,792,916	11,477,837
TOTAL ASSETS LESS CURRENT LIABILITIES		35,656,576	30,616,216
NET ASSETS		35,656,576	30,616,216
CAPITAL AND RESERVES			
Called up share capital	16	50,000	50,000
Preference share capital	16	2,086,573	2,086,573
Retained earnings		33,520,003	28,479,643
TOTAL SHAREHOLDERS' FUNDS		35,656,576	30,616,216

The notes to the financial statements on pages 13 to 29 form an integral part of these financial statements.

The financial statements on pages 10 to 29 were approved and authorised for issue by the board on 23 November 2022 and signed on its behalf by:

DocuSigned by:

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G Henderson

Director

23 November 2022

Company number: 03248125

The Extreme Music Library Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital £	Preference share capital £	Retained earnings £	Total Shareholders' funds £
Balance as at 1 April 2020	50,000	2,086,573	19,114,110	21,250,683
Profit for the year	-	-	9,365,533	9,365,533
Total comprehensive income for the year	-	-	9,365,533	9,365,533
Balance as at 31 March 2021	50,000	2,086,573	28,479,643	30,616,216
Profit for the year	-	-	10,040,360	10,040,360
Total comprehensive income for the year	-	-	10,040,360	10,040,360
Dividend paid (Note 18)	-	-	(5,000,000)	(5,000,000)
Total transactions with owners recognised directly in equity	-	-	(5,000,000)	(5,000,000)
Balance as at 31 March 2022	50,000	2,086,573	33,520,003	35,656,576

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

1) GENERAL INFORMATION

The Extreme Music Library Limited is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is 4 Handyside Street, London, NIC 4DJ. The company's registered number is 03248125.

The principal activity of the company during the year was that of a music library.

2) STATEMENT OF COMPLIANCE

The financial statements of The Extreme Music Library Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising 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.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

A) BASIS OF PREPARATION

The company financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

B) CASH FLOW STATEMENT

The company has taken advantage of the exemption from preparing a statement of cash flows available under section 7 of FRS 102, on the basis that it is a qualifying entity and the consolidated statement of cash flows is included in the publicly available financial statements of the ultimate parent undertaking includes the company's cash flows.

C) GOING CONCERN

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

D) EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Extreme Music Library Limited can take exemptions in its standalone financial statements.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102 (CONTINUED)

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

E) CONSOLIDATED FINANCIAL STATEMENTS

The company is a wholly owned subsidiary of SM Publishing (UK) Limited and its ultimate parent is Sony Corporation. It is included in the consolidated financial statements of Sony Group Corporation which are publicly available. Therefore, the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are the company's separate financial statements.

F) FOREIGN CURRENCIES

(i) Functional and presentation currency

The company financial statements are presented in pound sterling. The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income.

G) TURNOVER

Turnover, which is stated net of value added tax, consists of: Indirect licence turnover, which represents revenue remitted via collection societies. Turnover is recognised on an accruals basis, where copyright royalties are recognised at the point at which the relevant copyright is exploited.

Direct licence turnover, which represents directly invoiced revenue is recognised when the licensor has entered into a non-cancellable agreement, has agreed to a fixed pre-determined fee, has delivered the rights to the licensee who is free to exercise them, has no remaining significant obligations to furnish music and recovery of the full fee is reasonably assured.

Rendering of services, which represents revenue from website maintenance contracts and co-published music creation services. Rendering of services is recognised on a cash basis, i.e., upon receipt of payment of fees as agreed per the contract.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) ROYALTY EXPENSE

Royalties are charged to the company statement of comprehensive income as incurred. In respect of direct licence revenue where the income is reflected on an accruals basis in the period to which the respective licences relate or indirect revenue where the income is reflected on a receipts basis, due provision is made for any related royalty expense due to the music library owner or writer.

Where advances against future royalties have been made, royalties are charged to the statement of comprehensive income at the rates stated in writer contracts based on royalty turnover generated during the year. Provision is made where it is anticipated that the advance will not be recouped by future royalty charges.

I) EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including paid holiday arrangement 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) Defined contribution pension plans

The company operates a defined contribution pension scheme. The pension charge represents the amounts payable by the company to the funds in respect of the year.

J) RESEARCH AND DEVELOPMENT

Manufacturing and origination expenditure relating to the development of existing music libraries is classed as distribution expenditure and is charged to the statement of comprehensive income as incurred.

K) TAXATION

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(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.

(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 financial statements.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K) TAXATION (CONTINUED)

Deferred tax is recognised on all timing differences at the reporting date. 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.

L) INTANGIBLE ASSETS

Copyrights acquired as a result of acquisitions and manufacturing and origination expenditure relating to the development of new music libraries are capitalised at cost as intangible assets and once complete are amortised by equal annual amounts between 5 and 20 years. Both are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Bespoke software development for the company's website and internal IT systems are capitalised at cost as intangible assets, once complete this is amortised by equal annual amounts between 3 and 5 years. This is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

M) TANGIBLE ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful economic life, as follows:

Office equipment	over 2, 4 or 5 years
Fixtures and fittings	over 4 or 5 years
Short leasehold improvements	over life of lease

Where cash contributions from related undertakings are received, these are credited against the cost of the tangible fixed asset to reflect a reduction in the cost of the asset to the company.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

N) LEASED ASSETS

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N) LEASED ASSETS (CONTINUED)

- Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

O) RENTAL CONTRIBUTIONS

A liability is recognised on the balance sheet recognising in full the rental contribution received, this is then credited to the statement of comprehensive income over the life of the lease. The effect is to recognise a reduction in administrative expenses on a straight-line basis over the term of the lease commencing from occupancy date. Rental contributions are not discounted.

P) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

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

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Q) INVESTMENTS

Investments in subsidiary undertakings in the balance sheet are stated at cost less accumulated impairment losses. Cost includes the original purchase price of the investment. Impairment reviews are conducted at the end of the first full year following acquisition and thereafter where indicators of impairment are present.

Any subsidiary undertakings or joint venture undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of joint control respectively.

The company has taken advantage of the transition exemption under paragraph 35.10(f) FRS 102 in respect of measurement of investments in subsidiaries on the date of transition to FRS 102 (1 April 2014) and continues to measure investment at their cost.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current liabilities.

S) FINANCIAL INSTRUMENTS

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Any impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, 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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

The company does not hold or issue derivative financial instruments.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S) FINANCIAL INSTRUMENTS

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

T) RELATED PARTY TRANSACTIONS

The company has taken the exemption as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same company that are wholly owned. The company discloses transactions with related parties which are not wholly owned with the same company in note 19.

U) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. Management does not deem there to be any critical uncertainty in any judgements, estimates or assumptions made in the year.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue recognition is now based upon assumptions of when the relevant copyright is exploited rather than remitted. These assumptions are reviewed regularly in line with Sony Music Publishing guidelines and reports from the respective societies with regards to pay-out delays.

- *Useful economic lives of intangible assets and tangible assets*

The annual amortisation or depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See notes 10 and 11 for the carrying amount of tangible and intangible fixed assets and note 3 for the useful economic lives for each class of asset.

V) SHARE CAPITAL AND DISTRIBUTIONS TO EQUITY HOLDERS

Ordinary and preference shares are classified as equity. Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

4) TURNOVER

The turnover and profit before taxation is attributable to the one principal activity of the company which was that of a music library. All turnover originates from the UK. Turnover by geographical destination is as follows:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Geographical markets:		
UK	9,775,864	7,649,151
USA	10,682,005	9,299,038
Europe	4,791,396	5,006,442
Australia	1,152,133	917,137
Rest of the world	1,089,610	643,074
Canada	584,542	375,345
	28,075,550	23,890,187

Analysis of turnover by category:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Royalty income	28,053,166	23,868,308
Rendering of services	22,384	21,879
	28,075,550	23,890,187

5) ADMINISTRATIVE EXPENSES

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Distribution costs	555,528	472,753
Operating expenses	3,290,117	4,073,365
	3,845,645	4,546,118

The Extreme Music Library Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

6) OPERATING PROFIT

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	6,542	19,287
Amortisation of intangible fixed assets	1,628,430	1,424,152
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the financial statements	82,000	69,000
- fees payable to the company's auditors for the audit of subsidiary's financial statements	5,000	15,000
Foreign exchange gain	661,922	316,038
Operating lease rentals	302,210	276,782

7) INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Bank interest	8,739	11,787
	<u>8,739</u>	<u>11,787</u>

The Extreme Music Library Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

8) EMPLOYEES

	Year ended 31 March 2022 No.	Year ended 31 March 2021 No.
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The average monthly number of persons (including directors) employed by the company during the year by activity was:

Administration	24	23
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Staff costs for the above persons:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Wages and salaries	986,175	975,471
Social security costs	104,639	121,587
Other pension costs	71,867	64,870
	<u>1,162,681</u>	<u>1,161,928</u>

Defined pension contributions included in the statement of comprehensive income is £71,867 (2021: £64,870).

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Directors emoluments paid for qualifying services	-	-
Contributions to money purchase pension scheme	-	-
Compensation for loss of office	-	-
	<u>-</u>	<u>-</u>

During the year 0 directors (2021: 0) participated in a money purchase pension scheme.

Included within the above were amounts paid to the highest paid director as follows:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Emoluments paid for qualifying services	<u>-</u>	<u>-</u>

The Extreme Music Library Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

9) TAX ON PROFIT

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
The tax charge is based on the profits of the year and represents:		
Current tax:		
United Kingdom corporation tax on profit for the year at 19% (2021: 19%)	2,486,288	1,865,614
Overseas taxation	192,696	376,515
Double taxation relief	-	(376,515)
Adjustments for prior years	1,240,962	62,554
Total current tax	<u>3,919,946</u>	<u>1,928,168</u>
Deferred taxation:		
Deferred taxation (credit)/charge (note 15)	(38,383)	4,940
Tax on profit	<u>3,881,563</u>	<u>1,933,108</u>

The tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax applied to the pre-tax profit of the company. The differences are explained below:

	Year ended 31 March 2022 £	Year Ended 31 March 2021 £
Profit before taxation	13,921,923	11,298,641
Standard tax rate	19%	19%
Profit multiplied by the standard tax rate:	2,645,165	2,146,742
Effects of:		
Income received not subject to tax	(117,499)	(277,098)
Items not allowable for tax	3,731	910
Effects of overseas tax rates	156,084	-
Adjustments for prior years	1,240,962	62,554
Tax rate changes	(46,880)	-
Total tax charge for the year	<u>3,881,563</u>	<u>1,933,108</u>

Factors which may affect future tax charges:

The government announced that the corporation tax main rate for the years starting 1 April 2022 would remain at 19% and then increase to 25% for the year beginning 1 April 2023.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

10) INTANGIBLE ASSETS

	Software £	Company music rights £	Total £
Cost			
1 April 2021	4,450,686	19,164,384	23,615,070
Additions	891,860	468,393	1,360,253
31 March 2022	5,342,546	19,632,777	24,975,323
Accumulated amortisation			
1 April 2021	2,627,873	1,898,440	4,526,313
Charged in the year	670,838	957,592	1,628,430
31 March 2022	3,298,711	2,856,032	6,154,743
Net book amount			
31 March 2022	2,043,835	16,776,745	18,820,580
31 March 2021	1,822,813	17,265,944	19,088,757

The Company's music rights addition relates to the acquisition of a catalogue in the year for £468,393 (2021: £0). The amortisation charge of £1,628,430 (2021: £1,424,152) has been included in operating expenses in the statement of comprehensive income.

11) TANGIBLE ASSETS

	Short leasehold Improvements £	Office equipment £	Fixtures and fittings £	Total £
Cost				
1 April 2021 and 31 March 2022	562,952	1,658,664	166,749	2,388,365
Accumulated depreciation				
1 April 2021	562,952	1,646,491	166,749	2,376,192
Charged in the year	-	6,542	-	6,542
31 March 2022	562,952	1,653,033	166,749	2,382,734
Net book amount				
31 March 2022	-	5,631	-	5,631
31 March 2021	-	12,173	-	12,173

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

12) INVESTMENTS

The following are all subsidiary undertakings of the company:

	Country of registration	Class of holding	Proportion held	Nature of business
The Extreme Music Library (Ireland) Limited Block 3, Harcourt Centre Harcourt Road Dublin 2	Ireland	Ordinary	100% (direct)	Music library
Extreme Music Limited 100 New Bridge Street London EC4V 6JA	England	Ordinary	100% (direct)	Music publisher
Extreme Musik GmbH Leuschnerdamm 13 10999 Berlin	Germany	Ordinary	100% (direct)	Music library
Extreme Australia Pty Limited Suite 2.01 55 Miller Street Pyrmont NSW 2009	Australia	Ordinary	100% (direct)	Music library
Bad Boys Production Music B.V Damrak 20C 1012 LH Amsterdam	Holland	Ordinary	100% (direct)	Music library
The Extreme Music Library, Aktiebolag Bellmansgatan Katarinavägen 15 116 45 STOCKHOLM	Sweden	Ordinary	100% (indirect)	Music library

	2022 £	2021 £
At 1 April	37,449	37,449
At 31 March	<u>37,449</u>	<u>37,449</u>

The Extreme Music Library Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

13) DEBTORS

	31 March 2022 £	31 March 2021 £
Trade debtors	254,119	235,206
Amounts owed by group undertakings	7,944,142	3,653,117
Advances and deposits (a)	571,821	419,620
Deferred tax	195,335	156,952
Prepayments and accrued income	3,928,952	4,413,496
	12,894,369	8,878,391

(a) Advances and deposits relate to recoupable writer production advances.

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

14) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2022 £	31 March 2021 £
Trade creditors	42,712	69,770
Amounts owed to group undertakings	2,381,172	2,120,573
Taxation and social security	2,058,557	1,837,087
Deferred rent contribution	195,867	239,839
Accruals and deferred income	6,004,999	5,946,627
Royalty payable	854,312	-
	11,537,619	10,213,896

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

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

15) DEFERRED TAX

The company had recognised deferred tax assets where there are forecasted taxable profits in the next 12 months from which the future reversal of the underlying timing difference can be deducted.

Movements in recognised deferred tax assets during the year were as follows:

	£	£
Balance at the beginning of the year	156,952	161,892
Deferred tax credited to the statement of comprehensive income during the year	38,383	(4,940)
Balance at the end of the year	195,335	156,952

Deferred tax comprises the following amounts:

	31 March 2022 £	31 March 2021 £
Accelerated capital allowances	195,335	156,952
	195,335	156,952

At 31 March 2022 the company had no unrecognised deferred tax assets or liabilities (2021: £Nil).

16) CALLED UP SHARE CAPITAL

	31 March 2022 £	31 March 2021 £
Authorised:		
50,000 (2021: 50,000) Ordinary shares of £1 each	50,000	50,000
4,000,000 (2021: 4,000,000) Preference shares of £1 each	4,000,000	4,000,000
	4,050,000	4,050,000
Issued, and fully paid:		
35,000 (2021: 35,000) fully called up 'A' ordinary shares of £1 each	35,000	35,000
7,500 (2021: 7,500) fully called up 'B' ordinary shares of £1 each	7,500	7,500
7,500 (2021: 7,500) fully called up 'C' ordinary shares of £1 each	7,500	7,500
2,086,573 (2021: 2,086,573) fully called up preference shares of £1 each	2,086,573	2,086,573
	2,136,573	2,136,573

The preference shares do not entitle the holders to any participation in the profits or assets of the company, nor do they entitle the holder to receive notice or to attend or vote at any general meeting of the company. The holders are not entitled to a distribution of assets on a return of capital on liquidation. In the event that the company is sold, the proceeds will firstly be distributed to preference shareholders in a proportion equal to the nominal value of their holding. The remaining proceeds would then be distributed amongst the holders of the ordinary shares *pari passu*.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

16) CALLED UP SHARE CAPITAL (CONTINUED)

All ordinary shares rank pari passu except that each class of ordinary shareholders has the right to appoint and replace director's relative to the class of ordinary shares held.

17) CAPITAL AND OTHER COMMITMENTS

Lease commitments

At 31 March 2022 the company had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 March 2022 £	31 March 2021 £
Payments due:		
Not later than one year	310,450	310,450
Later than one year and not later than five years	1,241,800	1,241,800
Later than five years	-	336,321
	1,552,250	1,888,571

Lease payments recognised as an expense in the year amounted to £302,210 (2021: £276,782).

18) DIVIDEND

	31 March 2022 £	31 March 2021 £
Interim dividend paid £5,000,000 (2021: £0) per £1 share	5,000,000	-
	5,000,000	-

19) RELATED PARTY TRANSACTIONS

During the year the company entered into transactions to place cash on deposit with Sony Global Treasury Services Ltd (SGTS Ltd), a member of the enlarged group, to maximise interest income returns on cash balances. At the year end the balance on deposit with SGTS Ltd was £15,006,526 (2021: £12,463,460).

The company has taken advantage of the exemption from providing certain related party transaction disclosures as mentioned in the summary of significant accounting policies.

During the year the company made the following payments to the directors in respect of royalties:

R Emanuel - £89,802.63 (2021: £77,168.59)

The balance owed by R Emanuel to the company at the year-end was £Nil (2021: Nil).

All transactions were made on an arm's length basis and at full market value.

There are no additional pensions or emoluments paid to related parties other than those disclosed for employees and directors presently in note 8.

The Extreme Music Library Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

19) RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel includes only directors as there are no other members of senior management having authority and responsibility. Please refer to note 8 for disclosure of the directors' emoluments and key management compensation.

20) ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2022, the entire issued share capital of the company was immediately owned by SM Publishing (UK) Limited, a company incorporated in the United Kingdom.

At 31 March 2022, the ultimate parent undertaking was Sony Group Corporation, a company incorporated in Japan.

Copies of the consolidated financial statements of Sony Group Corporation can be obtained from the Company secretary, Sony Group Corporation, 1-7-1 Konan, Minato-ku, Tokyo, 108-0075 Japan.