

**COMPANY REGISTRATION NUMBER 03313802**

**MERCURY STUDIOS MEDIA LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



**MERCURY STUDIOS MEDIA LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2022**

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<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisers	1
Strategic report	2
Directors' report	3 to 4
Independent auditor's report to the members	5 to 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 to 27

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**MERCURY STUDIOS MEDIA LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 DECEMBER 2022**

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**THE BOARD OF DIRECTORS**

A M Barker  
D R J Sharpe  
A E Webb

**COMPANY SECRETARY**

A Abioye

**REGISTERED OFFICE**

4 Pancras Square  
London  
N1C 4AG

**AUDITOR**

Grant Thornton UK LLP  
Chartered Accountants  
30 Finsbury Square  
London  
EC2A 1AG

**BANK**

HSBC Bank Plc  
133-135 Daventry Road  
Cheylesmore  
West Midlands  
CV3 5HD

Citibank N.A.  
Citigroup Centre  
33 Canada Square  
Canary Wharf  
London  
E14 5LB

# **MERCURY STUDIOS MEDIA LIMITED**

## **STRATEGIC REPORT**

### **YEAR ENDED 31 DECEMBER 2022**

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The directors present their strategic report for the company for the year ended 31 December 2022.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was that of the acquisition and creation of rights to recorded music, video, television and other visual programming.

The result and position of the company as at and for the year ended 31 December 2022 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 9, 10 and 11 respectively. The result and position of the company were in line with directors' expectations.

#### **RESULTS AND DIVIDENDS**

The company's loss for the financial year was £677k, (2021 - loss £6,642k). The retained loss for the year has been transferred to reserves.

The directors do not recommend payment of a dividend for the year ended 31 December 2022 (2021 - £Nil)

#### **KEY PERFORMANCE INDICATORS**

The company monitors its performance regularly with comprehensive reviews of its performance against budgets, re-forecasts and comparable sales data. Particular attention is paid to product gross margins and contribution rates. Investment decisions are monitored against predetermined return on investment criteria. The performance of the company is considered with all other entities at a group level.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors consider that the principal business risks and uncertainties affecting the company are:

- the general market conditions for the sale of audio and audio visual products;
- the company's ability to acquire new product.

Product risks are mitigated by the size and breadth of the company's catalogue, including its exclusive access to the Universal Music archive. In addition, due to the breadth of the company's demographic audience, it is able to reposition its catalogue to be resilient to market changes. The company has excellent connections throughout the industry and constantly researches new titles to purchase. Exchange rate risks are mitigated by close monitoring of any currency fluctuations.

#### **FUTURE DEVELOPMENTS**

Notwithstanding the risks and uncertainties outlined above, the directors do not anticipate any significant change in the activities and results of the company in the foreseeable future.

By order of the board

*Alice Webb*

A E Webb  
Director

Date: 30 May 2023

**MERCURY STUDIOS MEDIA LIMITED****DIRECTORS' REPORT****YEAR ENDED 31 DECEMBER 2022**

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The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2022.

**DIRECTORS**

The directors who served the company during the year and subsequently were as follows:

A M Barker  
D R J Sharpe  
A E Webb

**DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

A qualifying third party indemnity provision remains in force as at the date of approving the directors' report, subject to the provisions of section 236 of the Companies Act 2006. Universal Music Group N.V. the ultimate parent undertaking, maintains a Directors & Officers Liability Programme which indemnifies directors' personal liabilities resulting from alleged wrongful acts committed in the line of their employment.

**POLICY ON THE PAYMENT OF CREDITORS**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

**DONATIONS**

During the year the company made the following contributions:

	2022 £	2021 £
Charitable donations	270	100
	<u>270</u>	<u>100</u>

**GOING CONCERN**

The financial statements have been prepared on the going concern basis as the company has received confirmation from Universal Music Group N.V., the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis.

# MERCURY STUDIOS MEDIA LIMITED

## DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2022

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### DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 415 of the Companies Act 2006.

By order of the board

A Abioye *Bola Abioye*  
Company Secretary

Date: 30 May 2023

Company Registration Number: 03313802

## **MERCURY STUDIOS MEDIA LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY STUDIOS MEDIA LIMITED**

**YEAR ENDED 31 DECEMBER 2022**

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#### **Opinion**

We have audited the financial statements of Mercury Studios Media Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and inflationary environment, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

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.

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

## **MERCURY STUDIOS MEDIA LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY STUDIOS MEDIA LIMITED (continued)**

**YEAR ENDED 31 DECEMBER 2022**

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#### **Other information**

The other information comprises the information included in the annual report<sup>1</sup>, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report<sup>2</sup>. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.



## MERCURY STUDIOS MEDIA LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY STUDIOS MEDIA LIMITED (continued)

YEAR ENDED 31 DECEMBER 2022

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#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We understood how the Company is complying with legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries throughout our audit work.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts.
- Audit procedures performed by the engagement team included:
  - evaluation of the programmes established to address the risks related to irregularities and fraud;
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
  - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the entity/regulator entity including:
    - the provisions of the applicable legislation;
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
    - the applicable statutory provisions.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **MERCURY STUDIOS MEDIA LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCURY STUDIOS MEDIA LIMITED (continued)**

**YEAR ENDED 31 DECEMBER 2022**

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#### **Use of our report**

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

*Grant Thornton UK LLP*

Nicholas Page PhD BSc FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
United Kingdom  
Date: 30 May 2023

**MERCURY STUDIOS MEDIA LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
<b>TURNOVER</b>	<b>3</b>	<b>18,581</b>	<b>14,898</b>
Cost of sales		(14,212)	(9,496)
<b>GROSS PROFIT</b>		<b>4,368</b>	<b>5,402</b>
Distribution costs		(111)	(166)
Administrative expenses		(5,015)	(6,434)
<b>OPERATING LOSS</b>	<b>4</b>	<b>(758)</b>	<b>(1,198)</b>
Interest payable and similar charges	7	(4)	(31)
Realised loss on Investment	11	-	(5,601)
<b>LOSS BEFORE TAXATION</b>		<b>(762)</b>	<b>(6,830)</b>
Tax on profit	8	85	188
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(677)</b>	<b>(6,642)</b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR</b>		<b>(677)</b>	<b>(6,642)</b>

All of the activities of the Company are classed as continuing operations.

The notes on pages 12 to 27 form part of these financial statements

**MERCURY STUDIOS MEDIA LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	1,557	1,816
Property, plant & equipment	10	-	-
Investments	11	(1)	(1)
		<u>1,556</u>	<u>1,815</u>
<b>CURRENT ASSETS</b>			
Inventories	12	23	34
Debtors: Amounts falling due within one year	13	30,790	25,396
		<u>30,813</u>	<u>25,430</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS: Amounts falling due within one year	14	(44,909)	(38,989)
		<u>(44,909)</u>	<u>(38,989)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(14,096)</u>	<u>(13,559)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(12,540)</u>	<u>(11,744)</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(540)	(659)
<b>NET LIABILITIES</b>		<u>(13,080)</u>	<u>(12,403)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	18	679	679
Share premium account		11,382	11,382
Revaluation reserve		1,186	1,186
Profit and loss account		(26,327)	(25,650)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(13,080)</u>	<u>(12,403)</u>

These accounts were approved by the board of directors and authorised for issue on 30 May 2023 and are signed on their behalf by:

*Alia Webb*

A E Webb  
Director

The notes on pages 12 to 27 form part of these financial statements

**MERCURY STUDIOS MEDIA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2022**

	Called-up equity share capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Profit & Loss Account £'000	Equity Shareholders' Deficit £'000
Balance brought forward at 1 January 2021	679	11,382	1,186	(19,008)	(4,946)
(Loss) and total comprehensive loss for the year	-	-	-	(6,642)	(6,642)
Balance brought forward at 1 January 2022	679	11,382	1,186	(25,650)	(12,403)
(Loss) and total comprehensive loss for the year	-	-	-	(677)	(677)
<b>Balance carried forward at 31 December 2022</b>	<b>679</b>	<b>11,382</b>	<b>1,186</b>	<b>(26,327)</b>	<b>(13,080)</b>

The notes on pages 12 to 27 form part of these financial statements

# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2022

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#### 1. STATUTORY INFORMATION

Mercury Studios Media Limited is a private company limited by shares and incorporated in the UK under the Companies Act 2006 and registered in England and Wales. The registered office is 4 Pancras Square, London, N1C 4AG.

#### 2. ACCOUNTING POLICIES

##### **Basis of preparation of financial statements**

These financial statements have been prepared in compliance with FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006. The presentation currency of these financial statements is Sterling and figures are rounded to the nearest £'000.

##### **FRS 102 - Qualifying exemptions**

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- from preparing a statement of cash flows and related notes;
- from preparing a reconciliation of the number of shares outstanding from the beginning to the end of the financial year;
- from disclosing related party transactions;
- from disclosing key management personnel compensation; and
- from certain financial instrument disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments*.

This information is included in the consolidated financial statements of the company's parent undertaking, Universal Music Group N.V.. Copies of which can be obtained from 's-Gravelandseweg 80, 1217 EW Hilversum, The Netherlands.

##### **Other qualifying exemptions**

As the parent undertaking prepares publicly available consolidated accounts and is incorporated within the European Union the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from preparing consolidated accounts. As such, these financial statements give information about the company as an individual undertaking and not about its group.

##### **Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value; derivative financial instruments, financial instruments classified at fair value through the profit and loss, and freehold property.

##### **Going concern**

The financial statements have been prepared on the going concern basis as the company has received confirmation from Universal Music Group N.V., the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis.

# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2022

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#### 2. ACCOUNTING POLICIES (continued)

##### Revenue Recognition

Turnover is attributable to the sale of finished goods and licensing of rights. Turnover represents goods sold less returns, and the invoiced value of services and royalty income, excluding VAT.

United Kingdom digital and royalty income is credited to the statement of comprehensive income in the period to which it relates, or if it cannot be reliably estimated, on a receipt basis. Overseas digital and royalty income, which is all collected on behalf of the company by other group undertakings, is credited to the statement of comprehensive income in the period overseas sales are reported to the company. Royalties payable are charged against the relevant income of the same period.

##### Intangible assets and goodwill

###### *Intangible assets*

Copyrights are stated at cost less accumulated amortisation and accumulated impairment.

###### *Amortisation*

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets or by using forecast revenue as a proxy to recognise amortisation in the year.

Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Master Recordings - 15 years/using forecast revenue as a proxy to estimate usage over the contract's life  
Copyright Publishing - 10 and 5 years

The basis for choosing these useful lives is either the term of the deal or the perceived life of the value of the asset.

The intangible asset additions in the year are the accumulated costs borne by fellow group company Mercury Studios Productions Limited required to create audio visual productions. The costs are capitalised in Mercury Studios Productions Limited until the project is finished, at which point are transferred to the company at cost. A forecast of future annual revenues generated by the asset over its expected life is then performed and for each year, a percentage of total forecasted revenue generated is calculated. This percentage is applied to the asset value as the amortization charge for that year, reflecting the utilization of the asset. For example, if forecast revenue received in Year 1 is 10% of total revenue, a 10% charge of the asset value will be recognized in the year as amortization.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2022

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## 2. ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Tangible fixed assets excluding freehold property are stated at cost less accumulated depreciation.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Properties	50 years
Fixtures & Fittings	4 years
Motor Vehicles	20 months

#### Revaluation

Gains on revaluation are recognised in other comprehensive income and accumulated in equity. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of the asset. Any excess is recognised in profit or loss.

### Financial instruments

#### Classification of financial instruments issued by Mercury Studios Media Limited

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### Basic financial instruments

##### Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.



# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2022

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#### 2. ACCOUNTING POLICIES (continued)

##### **Financial instruments (continued)**

###### ***Advances***

Advances are written down to the estimated amount that will be recoverable from future royalty payments to the artist. Net advances to artists are classified as falling due within one year, although elements may not be recovered until more than one year.

###### ***Interest-bearing loans classified as basic financial instruments***

All interest-bearing loans and borrowings are initially recognised at net proceeds. Interest bearing debt is increased by the finance cost in respect of the reporting period and reduced by any settlement made. Interest is charged and earned on a fixed element of the debt at an arm's length rate.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

###### ***Non –Interest bearing intercompany loans classified as basic financial instruments***

All non-interest-bearing intercompany loans and borrowings are initially recognised at net proceeds. Movements of these loans are derived from trading activity. These intercompany loans are interest free, have no fixed term, have no covenants and there are no securities held on these liabilities.

###### ***Investments in subsidiaries, jointly controlled entities and associates***

These are separate financial statements of Mercury Studios Media Limited. Investments in subsidiaries are carried at cost less accumulated impairment.

###### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

###### **Inventories (Stocks)**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stock and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2022

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#### 2. ACCOUNTING POLICIES (continued)

##### **Impairment excluding inventories and deferred tax assets**

###### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

###### *Non-financial assets*

The carrying amounts of the company's non-financial assets, other than stock and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

##### **Leases**

###### *Finance lease agreements*

Where Mercury Studios Media Limited enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the statement of financial position as a tangible fixed asset and is depreciated in accordance with the above depreciation policies or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

###### *Operating lease agreements*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit or loss over the term of the lease as an integral part of the total lease expense.

# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2022

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#### 2. ACCOUNTING POLICIES (continued)

##### Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges, unwinding of the discount on provisions, and net foreign exchange losses that are recognised through profit or loss in the statement of comprehensive income.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Dividend income is recognised in the statement of comprehensive income on the date Mercury Studios Media Limited's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Interest income and interest payable are recognised in profit or loss as they accrue. Foreign currency gains and losses are reported on a net basis.

##### Taxation

The charge/(credit) for taxation is based on the profit/(loss) for the period and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that result in an obligation to pay more tax in the future or a right to pay less tax in future.

Timing differences are differences between the company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

##### Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised through profit or loss in the statement of comprehensive income except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income.

##### Judgements in applying accounting policies and key sources of estimation uncertainty

In the preparation of the financial statements management make certain judgements that impact these financial statements. While these judgements are continually reviewed, the facts and circumstances underlying these judgements may change, resulting in a change to the estimate that could impact the results of the Company. In particular these are in relation to:

##### Useful lives and impairment of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period that the asset will generate revenue, which are periodically reviewed for continued appropriateness. Management performed a review of intangible assets during the year and at year end using forecasts and financial plans and determined that no further impairment was necessary.

# MERCURY STUDIOS MEDIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2022

#### 2. ACCOUNTING POLICIES (continued)

##### Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

###### Provision of stock

Provision is made against the carrying value of stock. The stock provision has been calculated on any amounts held greater than those sold in the previous six months unless more specific judgement has been applied based on management's estimates of sales.

###### Impairment of investments

Determining whether investments in subsidiaries are impaired requires an assessment of impairment indicators and, if indicators exist, the estimation of their recoverable amounts. The calculation of recoverable amount requires the entity to estimate the future cash flows expected to arise from the investments and select a suitable discount rate in order to calculate present value.

###### Provision of royalty advances

Advances have been provided for where there is evidence that the amount may not be recoverable. To assist with the calculations of this provisioning management apply the below judgements but also review advance balances on a case by case basis if there is indication that the initial judgements need adjusting.

- A 25% provision is booked on new advances which include balances up to three years after release. This is reviewed annually for reasonableness;
- From year three a discount by 15% of the previous years earnings is calculated and projected forward as an estimation of future recoupment and any difference between this balance and the then current net advance balance is provided for.

#### 3. TURNOVER

##### Turnover by activity is as follows:

	2022	2021
	£'000	£'000
Mercury Audio	1,836	1,428
Mercury Visual	16,745	12,682
Other	-	788
	<u>18,581</u>	<u>14,898</u>

##### Turnover by destination is as follows:

	2022	2021
	£'000	£'000
United Kingdom	3,962	3,307
Rest of Europe	7,271	6,127
United States of America	6,144	4,994
Rest of World	1,204	470
	<u>18,581</u>	<u>14,898</u>

**MERCURY STUDIOS MEDIA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2022**

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**4. OPERATING LOSS EXPENSES**

Operating loss is stated after charging/(crediting):

	2022 £'000	2021 £'000
Amortisation of intangible assets	4,115	588
Depreciation of owned fixed assets	-	27
Fees payable to the company's auditors for the audit of the Company's annual accounts	45	74
Net loss/(gain) on foreign currency translation	713	34
	<u>713</u>	<u>34</u>

**5. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	2022 No	2021 No
Sales and Marketing	9	10
Production	20	25
Admin and central support	27	17
	<u>56</u>	<u>52</u>

The aggregate payroll costs of the above were:

	2022 £'000	2021 £'000
Wages and salaries	3,824	3,772
Social security costs	470	466
Other pension costs	238	211
	<u>4,532</u>	<u>4,449</u>

**MERCURY STUDIOS MEDIA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2022**

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**6. DIRECTORS' REMUNERATION**

The directors' aggregate remuneration in respect of qualifying services were:

	2022 £'000	2021 £'000
Remuneration receivable	435	388
Value of company pension contributions to money purchase schemes	14	28
	<u>449</u>	<u>416</u>

The directors of the Company are deemed to be the only key management personnel. The emoluments of three directors (2021: three) were paid and borne by other fellow group undertakings and they received no remuneration in respect of their services to the company.

Retirement benefits are accruing to one director under the defined contribution section of the Universal Music Master Trust (the Master Trust) arrangement (2021: 2). Two directors were not a member of any retirement benefit schemes (2021: 2).

Remuneration of highest paid director:

	2022 £'000	2021 £'000
Total remuneration (excluding pension contributions)	435	349
Value of company pension contributions to money purchase schemes	14	28
	<u>449</u>	<u>377</u>

Three directors, including the highest paid director did not exercise any share options in the year (2021: None).

Three directors including highest paid director were granted shares options by the Company's ultimate parent company (2021: None).

The amounts receivable under the group's long-term performance scheme were £nil (2021: £nil).

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2022 £'000	2021 £'000
Interest payable to group undertakings	4	29
Hire purchase and finance lease charges	-	2
	<u>4</u>	<u>31</u>

**MERCURY STUDIOS MEDIA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2022**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

**(a) Analysis of tax credit in the year**

	2022 £'000	2021 £'000
<b>Current tax:</b>		
<b>UK Taxation</b>		
In respect of the year		
Adjustments in respect of previous years	1	-
Group relief payable/(receivable) for losses claimed from/surrendered to other group undertakings	(147)	(226)
<b>Foreign tax</b>		
Current tax on income for the year	53	43
Total current tax	(93)	(183)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	8	(5)
Total deferred tax	8	(5)
Tax on loss on ordinary activities	(85)	(188)

	2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021 £'000
	Current Tax	Deferred Tax	Total Tax	Current Tax	Deferred Tax	Total Tax
Recognised in Profit and loss	(93)	8	(85)	(183)	(5)	(188)
<b>Total Tax</b>	(93)	8	(85)	(183)	(5)	(188)

**(b) Factors affecting current tax credit**

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the average rate of corporation tax in the UK of 19% (2021 - 19%).

**MERCURY STUDIOS MEDIA LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2022****8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)****(b) Factors affecting current tax charge/(credit) (continued)**

	2022 £'000	2021 £'000
Profit/(Loss) on ordinary activities before taxation	(762)	(6,830)
Profit/(Loss) on ordinary activities at the standard rate of UK Corporation tax of 19% (2020: 19%)	(145)	(1,297)
Expenses not deductible for tax purposes	4	1,077
Adjustments in respect of previous periods	1	-
Foreign tax suffered in the period	53	43
Impact of statutory rate change	2	(11)
Current tax credit for the financial year	(85)	(188)

**9. INTANGIBLE FIXED ASSETS**

	Copyrights £'000
<b>COST</b>	
At 1 January 2022	14,883
Additions	3,856
<b>At 31 December 2022</b>	<b>18,739</b>
<b>AMORTISATION</b>	
At 1 January 2022	(13,067)
Charge for the year	(4,115)
<b>At 31 December 2022</b>	<b>(17,183)</b>
<b>NET BOOK VALUE</b>	
At 31 December 2022	1,556
At 31 December 2021	1,815



**MERCURY STUDIOS MEDIA LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2022****10. PROPERTY, PLANT & MACHINERY (TANGIBLE ASSETS)**

	Plant & Machinery £'000
<b>COST</b>	
At 1 January 2022	635
<b>At 31 December 2022</b>	<u>635</u>
<b>DEPRECIATION</b>	
At 1 January 2022	635
<b>At 31 December 2022</b>	<u>635</u>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2022</b>	<u><u>-</u></u>

**11. INVESTMENTS**

	Shares In Subs/Grp £'000	Total £'000
<b>COST/FAIR VALUE</b>		
At 1 January 2022	(1)	(1)
Movement in the year	-	-
<b>At 31 December 2022</b>	<u>(1)</u>	<u>(1)</u>
<b>PROVISION FOR IMPAIRMENT</b>		
At 1 January 2022	(1)	(1)
Written off in year	-	-
<b>At 31 December 2022</b>	<u>(1)</u>	<u>(1)</u>
<b>NET BOOK VALUE</b>		
<b>At 31 December 2022</b>	<u>(1)</u>	<u>(1)</u>
At 31 December 2021	<u>(1)</u>	<u>(1)</u>

**MERCURY STUDIOS MEDIA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2022**

**11. INVESTMENTS (continued)**

**Subsidiary Undertakings**

The principal subsidiaries of Mercury Studios Media Limited as at 31 December 2022 were as follows:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Ordinary share holding</b>	<b>Principal activity</b>
Mercury Studios Visions Ltd	UK	100%	Company is dormant
Mercury Studios Productions Ltd	UK	100%	Film production activities
Mercury Studios Factual Ltd	UK	100%	Visual Rights exploitation

**12. INVENTORIES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	<b>23</b>	<b>34</b>

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

The amount of stocks included in cost of sales as an expense during the period was £243k (2021: £290k).

**13. DEBTORS: Amounts due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>374</b>	<b>(68)</b>
Amounts owed by group undertakings	<b>19,916</b>	<b>15,763</b>
Prepayments	<b>4,048</b>	<b>4,999</b>
Deferred taxation (note 16)	<b>37</b>	<b>45</b>
	<b>24,375</b>	<b>20,740</b>
Advances (Net of provisions)	<b>6,415</b>	<b>4,656</b>
	<b>30,790</b>	<b>25,396</b>

All amounts owed from fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

**MERCURY STUDIOS MEDIA LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2022****14. CREDITORS: Amounts falling due within one year**

	2022 £'000	2021 £'000
Other creditors	12,381	10,081
Amounts owed to group undertakings	29,764	27,729
Other taxation and social security	474	396
Accruals and deferred income	2,282	783
	<u>44,909</u>	<u>38,989</u>

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

Included within amounts owed to group undertakings are the following interest-bearing amounts:

£4,362k (2021: £4,362k) in respect of an intercompany balance with a fellow group undertaking, Universal Music Operations Limited. The interest rate charged on the loan is between 2.55538% - 2.58250% on GBP denominated loans and 1.79713% and 2.61988% on USD denominated loans. The loan is unsecured and repayable on demand.

**15. CREDITORS: Amounts falling due after more than one year**

	2022 £'000	2021 £'000
Other creditors	540	659
	<u>540</u>	<u>659</u>

**16. DEFERRED TAXATION**

The movement in the deferred taxation account during the year was:

	2022 £'000	2021 £'000
Balance brought forward	45	40
Deferred taxation on ordinary activities account movement arising during the year	(8)	5
Provision carried forward	<u>37</u>	<u>45</u>

**MERCURY STUDIOS MEDIA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2022**

**16. DEFERRED TAXATION (continued)**

The deferred tax is included in the statement of financial position is as follows:

	2022 £'000	2021 £'000
Included in debtors (note 13)	37	45

**17. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2022 and at 31 December 2021 Mercury Studios Media Limited had no future commitments under noncancellable operating leases.

**18. CALLED-UP SHARE CAPITAL**

Authorised:

	2022 No	£'000	2021 No	£'000
Ordinary shares of £1 each	5,000,000	5,000	5,000,000	5,000
	<u>5,000,000</u>	<u>5,000</u>	<u>5,000,000</u>	<u>5,000</u>

Allotted, called up and fully paid:

	2022 No	£'000	2021 No	£'000
Ordinary shares of £1 each	678,870	679	678,870	679
	<u>678,870</u>	<u>679</u>	<u>678,870</u>	<u>679</u>

Amounts presented in equity:

	2022 £'000	2021 £'000
678,870 Ordinary shares of £1 each	679	679
	<u>679</u>	<u>679</u>

## MERCURY STUDIOS MEDIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2022

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#### 19. RESERVES

##### *Share premium account*

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

##### *Called up equity capital*

Represents the nominal value of shares that have been issued

##### *Retained earnings*

Includes all current and prior period retained profits and losses.

##### *Revaluation reserve*

Includes all current and prior period movements on the revaluation of fixed assets.

#### 20. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Mercury Studios Holdings Limited. The ultimate parent undertaking and controlling party is Universal Music Group N.V., a company incorporated and domiciled in the Netherlands.

The smallest and largest group in which the result of the company is consolidated is that headed by Universal Music Group N.V.. Copies of its annual report in English may be obtained from:

Universal Music Group  
's-Gravelandseweg 80  
1217 EW Hilversum  
The Netherlands