Stratford Garden Development Limited

Annual report and financial statements
Registered number 11069996
For the Year Ended 30 June 2020

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2020.

Principal activities

The principal activities of the Company are to assist Stratford Garden Property (UK) Limited ("SGP") and MSG Entertainment Group, LLC (formerly MSG Sports & Entertainment, LLC) ("MSG") with the management of the construction and development of the MSG Sphere in London.

Dividends paid

No dividends were paid during the years ended 30 June 2020 and 2019 or to date of this report.

Directors

The directors who held office during the year ended 30 June 2020 and up to the date of signing the financial statements were as follows:

- James L. Dolan
- Andrew S. Lustgarten
- Jayne E. McGivern
- Lawrence Burian (Resigned 17 April 2020)
- Mark H. FitzPartick (Appointed 17 April 2020)
- Philip G. D'Ambrosio (Appointed 17 April 2020)
- Marc J. Schoenfeld (Appointed 17 April 2020)
- Joseph F. Yospe (Appointed 17 April 2020)
- Scott S. Packman (Appointed 1 July 2020)
- Emma Y. Barnett (Appointed 10 December 2020)

Financial risk management policies and objectives

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company looks to hold offsetting balances to offset the potential impact of fluctuations in exchange rates. The Company's interest bearing assets are held at fixed rates to ensure certainty of cash flows.

Credit risk
The Company's principal financial assets are bank balances, short term investments and intercompany debtors. Bank balances and short term investments are held with reliable institutions. Intercompany balances are supported by the ultimate parent company.

Liquidity risk
In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company has received equity funding from the ultimate parent company. The ultimate parent company has confirmed its intentions to continue to support the company as required for the foreseeable future.

Directors' report (continued)

COVID-19

On 30 January 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy.

In response to the impact of the COVID-19 Outbreak, the Company has implemented business continuity procedures that have included the majority of staff working from home, pausing all international travel, asking staff to avoid public transport and introducing other social distancing measures in accordance with relevant government guidance. The Company is also monitoring the Business Continuity Plan effectiveness of key service providers. The pandemic is causing significant financial market and social dislocation and the ultimate extent of the effect of this on the Company is uncertain. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report, but no delays have been currently incurred.

Strategic report and directors' report exemptions

The Company has taken advantage of the exemption from preparing a strategic report allowed by section 414B of the Companies Act 2006. The Company has also taken exemptions allowable for small companies in directors' report disclosures.

Going Concern

The Company has net current assets of £153,395,713 , and net assets of £154,071,202 at 30 June 2020 and recorded a profit of £1,561,943 for the period. A letter of support has been obtained from the ultimate parent company MSG Entertainment Corp. confirming support for a period of at least 12 months from the date of approval of these financial statements. In taking reliance on this support the directors have performed an assessment to consider specifically the future impact on the Group and the Company of the recent COVID-19 pandemic on its ability to continue as a going concern. In preparing the assessment, plausible downside assumptions were considered. The assessment under such a scenario demonstrates that the Company will be able to continue to operate for a forecast period of at least twelve months from the approval date of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Future Developments

The Company submitted a planning application to the local planning authority in March 2019 and the planning application process is ongoing. The directors do not anticipate any significant changes to the nature of the business in the foreseeable future.

Post balance sheet events

In December 2020 a loan of £100m was made to Stratford Garden Property Holdings (UK) Limited. The loan is non interest bearing and has no fixed repayment terms.

In April 2021 the directors of the company resolved to reduce the company's capital contribution reserve by £135m.

There have been no other significant events affecting the Company since 30 June 2020.

The withdrawal of the United Kingdom from the European Union ("Brexit") has had no impact on the Company operations or financial results.

Directors' report (continued)

Independent auditor

Pursuant to section 487 of the Companies Act 2006, KPMG resigned as auditor of the Company and the Company has subsequently appointed Deloitte LLP as auditor. Deloitte LLP have indicated their willingness to remain in office and will be proposed for reappointment by the shareholders of the Company via written resolution.

Disclosure of information to auditors

In the case of each director in office at the time the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors and signed on their behalf by,

DocuSigned by:
Mark H. FitzPatrick
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Mark H. FitzPatrick
Director
17 May 2021

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Stratford Garden Development Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Stratford Garden Development Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Independent auditor's report to the members of Stratford Garden Development Limited (Continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

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.

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.

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 auditor's report.

Report on other legal and regulatory requirements

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

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 any material misstatements in the directors' report.

Independent auditor's report to the members of Stratford Garden Development Limited (Continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.

L Cowie

Lyn Cowie, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen
17 May 2021

Income Statement

For the year ended 30 June 2020

	Note	2020	2019
		£	£
Revenue			
Management fee income	2	313,644	252,900
		313,644	252,900
Operating expenses			
Staff costs	3	313,260	604,650
Administrative expenses	4	533,774	36,738
		847,034	641,388
Operating loss		**(533,390)**	**(388,488)**
Other income/(loss)			
Interest income	5	2,727,098	423,554
Interest expense	5	(385,515)	—
Gain/(loss) on foreign exchange		146,865	(223,030)
		2,488,448	200,524
Profit/(loss) before taxation		**1,955,058**	**(187,964)**
Taxation	6	(393,115)	(11,737)
Profit/(loss) for the year		**1,561,943**	**(199,701)**

The Company had no other items of comprehensive income/(expense) during the year, other than the profit/(loss) that is reflected in the Income Statement above. As such, no separate Statement of Comprehensive Income/(Expense) has been presented.

The above results are derived from continuing operations.

The notes on pages 9 to 24 form part of these financial statements.

Balance Sheet

As at 30 June 2020

	Note	2020	(Restated*) 2019
		£	£
Non-current assets			
Right-of-use assets	8	699,528	—
Other assets	7	187,200	—
		886,728	—
Current assets			
Prepaid expenses and other current assets		79,610	63,395
Related party receivable	11	52,060,633	32,164,900
Accounts receivable		7,710	7,710
Short-term investments	5	30,033,349	85,239,630
Restricted cash		84,711	54,261
Cash and cash equivalents		87,185,665	45,767,575
		169,451,678	163,297,471
Total assets		**170,338,406**	**163,297,471**
Current liabilities			
Income taxes payable		220,507	11,737
VAT tax payable		761,252	1,418,300
Lease liability	8	498,390	—
Trade and other payables	9	33,799	51,931
Related party payables	11	12,983,575	7,995,555
Employee benefit obligations	10	1,558,442	1,310,689
		16,055,965	10,788,212
Net current assets		**153,395,713**	**152,509,259**
Total assets less current liabilities		**154,282,441**	**152,509,259**
Non-current liabilities			
Lease liability	8	211,239	—
Net assets		**154,071,202**	**152,509,259**
Equity			
Share capital	13	1	1
Capital contribution	13	152,484,925	152,484,925
Retained earnings		1,586,276	24,333
Total equity		**154,071,202**	**152,509,259**

* Details of the restatement can be found in note 1.3.

The notes on pages 9 to 24 form part of these financial statements.

The financial statements for Stratford Garden Development Limited (registration number 11069996) were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Mark H. FitzPatrick
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Mr. Mark H. FitzPatrick
Director
17 May 2021

Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital	Capital contribution	Retained earnings	Total equity
	£	£	£	£
Balance as of 1 July 2019 (Restated*)	**1**	**152,484,925**	**24,333**	**152,509,259**
Profit and total comprehensive income for the year	—	—	1,561,943	1,561,943
Balance as of 30 June 2020	**1**	**152,484,925**	**1,586,276**	**154,071,202**

For the year ended 30 June 2019

	Share capital	(Restated*) Share premium	(Restated*) Capital contribution	Retained earnings	(Restated*) Total equity
	£	£	£	£	£
Balance as of 1 July 2018 (as previously presented)	**1**	**209,999**	—	**-24,458**	**185,542**
Restatement*	—	**-209,999**	**209,999**	—	—
Balance as of 1 July 2018 (Restated*)	**1**	—	**209,999**	**-24,458**	**185,542**
Loss and total comprehensive loss for the year	—	—	—	-199,701	-199,701
Movement in employees' share based compensation	—	—	—	248,492	248,492
Capital contribution from parent entity (*Restated)	—	—	152,274,926	—	152,274,926
	1	—	**152,484,925**	**24,333**	**152,509,259**

* Details of the restatement can be found in note 1.3.

The notes on pages 9 to 24 form part of these financial statements.

Notes to the financial statements

1. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Company profile

Stratford Garden Development Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered number is 11069996 and the address of its registered office is Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB. The Company's primary business activities are to assist Stratford Garden Property (UK) Limited and MSG Entertainment Group, LLC ("MSG") with the management of the construction and development of the MSG Sphere.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost and in accordance with the Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' due to the results of the entity being consolidated into Madison Square Garden Entertainment Company's consolidated results, which are publicly available and the Company does not operate as a charity. Refer to note 14 for information on the change in immediate and ultimate parent entity in the current year.

The functional and presentational currency of the company is pounds sterling, being the currency of the primary economic environment in which the company operates. Figures presented are rounded to nearest whole number.

The preparation of the financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates and judgements as detailed further in note 1.16.

The principal accounting policies applied have been set out below.

Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IAS8 IFRSs issued but not effective;
- the requirements of IAS 24 Related Party Disclosures;
- the requirements of IAS1 Other Disclosure requirements including Capital management;
- the requirements of IFRS16 Leases; and
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share based payment (details on the movement in the number and weighted-average exercise prices of share options, and how fair value of goods or services received was determined).

Notes to the financial statements (Continued)

1. Accounting Policies (Continued)

Amendments to IFRS and the new interpretation that are mandatorily effective for the current year

In the current year, an amendment to IFRS issued by International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The Company has applied IFRS 16. No other amendments have a material impact on these financial statements.

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of IFRS 16 for the Company is 1 July 2019. The Company has applied IFRS 16 using the modified retrospective approach therefore prior year balances have not been restated. The Company has recognised £1,201,096 of right-of-use assets and £1,186,451 of lease liabilities upon transition to IFRS 16. As the impact is immaterial, the transitional impact has been recognised in fiscal year 2020 as opposed to an adjustment to the opening equity as required under modified retrospective approach.

1.3 Changes in Accounting Estimates and Errors

In accordance with IAS 8, the Company has reflected the following restatement in the Balance Sheet and Statement of Changes in Equity surrounding the treatment of prior year capital infusions of cash as follows:

	Previously Presented 2019	Adjustment	Restated 2019
	£	£	£
Share premium	152,484,925	(152,484,925)	—
Capital contribution	—	152,484,925	152,484,925
	152,484,925	—	152,484,925

The restatement has been made in order to reclassify balances which were recognised as share premium which were capital contributions in nature.

£209,999 of the reclassification relates to contributions received in the period ending 30 June 2018 and therefore has been recognized as an opening balance adjustment in the 2019 year end statement of changes in equity. The remainder relates to capital contributions received in the 2019 year end.

Notes to the financial statements (Continued)

1. Accounting Policies (Continued)

1.4 Going concern

The Company has net current assets of £153,395,713, and net assets of £154,071,202 at 30 June 2020 and recorded a profit of £1,561,943 for the period. A letter of support has been obtained from the ultimate parent company MSG Entertainment Corp. confirming support for a period of at least 12 months from the date of approval of these financial statements. In taking reliance on this support the directors have performed an assessment to consider specifically the future impact on the Group and the Company of the recent COVID-19 pandemic on its ability to continue as a going concern. In preparing the assessment, plausible downside assumptions were considered. The assessment under such a scenario demonstrates that the Company will be able to continue to operate for a forecast period of at least twelve months from the approval date of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

1.5 Revenue

The Company applies the principle of IFRS 15 in recognition of revenue. The Company will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance depends on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The Company charges a management fee to Stratford Garden Property (UK) Limited and MSG Entertainment Group, LLC (MSG) for all administration costs incurred, paid or reimbursed by the Company in connection with administering the Company's obligations to Stratford Garden Property (UK) Limited and MSG. Administration costs include staff costs (excluding share based compensation), reimbursable travel costs, costs of recruitment of prospective new employees, rent, insurance, costs to purchase equipment and other resources to be used by company personnel, costs of telephone, internet and data services, and costs for utilities and insurances. The management fee charged to Stratford Garden Property (UK) Limited and MSG during the years ended 30 June 2020 and 2019 was 8%.

1.6 Expenses

The Company incurred employee-related costs and administrative expenses during the period. Expenses are recognised when incurred in accordance with the 'matching concept.'

1.7 Employee benefits

The Company recognises short-term employee benefit obligations on an undiscounted basis and are expensed as the related service is provided. A liability was recognised for the amount expected to be paid under the Company's annual cash bonus plan and for the value of the employees' unused vacation time as of the period end date.

Notes to the financial statements (Continued)

1. Accounting Policies (Continued)

1.8 Share based payments

The Company has an equity-settled share based compensation scheme, under which services are received from employees (including directors) as consideration for equity instruments of the Company's ultimate parent, Madison Square Garden Entertainment Company. The programme allows employees to acquire shares of the parent company. Employees are awarded restricted stock units. The fair value of the awards are measured at grant date and spread over the period during which the employees become unconditionally entitled to the stocks. The grant date fair value is recognised as an expense with an increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest, except where forfeitures occur as the threshold of vesting was not achieved.

1.9 Income taxes

Income tax expense comprises current and deferred income tax. Tax expense is recognised in the income statement except to the extent it relates to items recognised in other comprehensive income or loss or directly in equity. Current tax expense is based on the results for the period as adjusted for items that are currently not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Deferred tax expense or benefit is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance Sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised; the assessment of realisability is reviewed at the end of the reporting period and the deferred tax assets recognised are adjusted accordingly.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.11 Financial instruments

Financial assets are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are measured initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to or deducted from the fair value. All recognised assets are measured subsequently in their entirety at either amortised costs or fair value, depending on the classification of the financial assets.

Notes to the financial statements (Continued)

1. Accounting Policies (Continued)

1.12 Leases

The Company recognises, measures, presents, and discloses leases in accordance with IFRS 16, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The Company determines whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the lease term is assessed based on the date when the underlying asset is made available by the lessor for the Company's use. The Company's assessment of the lease term reflects the non-cancellable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain not to exercise, as well as periods covered by renewal options which the Company is reasonably certain to exercise. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated and combined statements of operations and consolidated and combined statements of cash flows over the lease term.

For leases with a term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of the fixed minimum payment obligations over the lease term. A corresponding ROU asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. ROU assets associated with finance leases are presented separate from ROU assets associated with operating leases and are included within Property and equipment, net on the Company's consolidated balance sheet.

For purposes of measuring the present value of the Company's fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in the underlying leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis and incorporates the term and economic environment surrounding the associated lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the impairment policy below.

Notes to the financial statements (Continued)

1. Accounting Policies (Continued)

1.13 Related party transactions

In accordance with IAS 24, the Company discloses transactions and outstanding balances with an entity's related parties. The Company defines related party transaction as a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. As such, the Company's practice is to disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. Refer to note 11 for disclosure of related parties.

1.14 Equity

Ordinary shares are classified as equity. On 1 July 2018, one ordinary share was issued to Stratford Garden Development Limited for £1. Any additional cash infusions in cash or capital are considered Capital contributions. The year's profit and loss accumulates in Retained earnings (deficit).

1.15 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date and the gains or losses on translation are included in the profit and loss amount.

1.16 Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described in note 1.2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the directors there are no key assumptions or estimates as of 30 June 2020 that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year. The directors do not consider there are any critical judgements or material sources of estimation uncertainties requiring disclosure beyond the accounting policies listed above.

Notes to the financial statements (Continued)

2. Revenue

	2020	2019
	£	£
Management fees from Stratford Garden Property (UK) Limited [a]	85,659	156,925
Management fees from MSG Sports & Entertainment, LLC [a]	227,985	95,975
Total revenues	313,644	252,900

[a] See note 11 for further details.

All revenue arose from activities in the United Kingdom.

3. Staff Costs and directors remuneration

The average monthly number of employees was:

	2020	2019
Management and administration	16	8

The aggregate remuneration comprised:

	2020	2019
	£	£
Wages, salaries and other costs	279,594	114,402
Employee incentive costs	39,722	82,007
Share based compensation	(6,056)	248,492
Severance costs	—	159,749
Total staff costs	313,260	604,650

There are seven directors, none of which received remuneration for their qualifying services to the Company.

4. Administrative Expenses

Administrative Expenses incurred during the years ended 30 June 2020 and 2019 consisted of the following:

	2020	2019
	£	£
Depreciation of ROU assets	501,568	—
Audit services in respect of the financial statements of the Company	16,125	25,000
Other administrative expenses	16,081	11,738
Total administrative expenses	533,774	36,738

There were no non-audit fees paid to the auditor by the Company during the years ended 30 June 2020 and 2019.

Notes to the financial statements (Continued)

5. Interest Income/(Expense)

Interest income/(expense) incurred during the years ended 30 June 2020 and 2019 consisted of the following:

	2020	2019
	£	£
Interest income associated with related party receivables	1,930,314	—
Interest income associated with short-term investment	796,784	239,287
Interest income associated with cash equivalents	—	184,267
Total interest income	2,727,098	423,554
Interest expense associated with related party payables	(385,515)	—
Total interest expense	(385,515)	—

The interest income associated with short-term investment is derived from a one time-deposit at a financial institution that the Company has entered into during the year ended 30 June 2019, in which the balance was transferred to another financial institution during the year ended 30 June 2020. The balances related to short-term investments were £30,033,349 and £85,239,630 as of 30 June 2020 and 2019, respectively.

The interest income, net associated with related party net receivables are derived from the related party balances detailed in note 11 at a 4% per annum rate.

Notes to the financial statements (Continued)

6. Income Taxes

The income tax expense differs from the amount derived by applying the statutory tax rate to pre-tax income principally due to the effect of the following items:

	2020	2019
	£	£
Current tax		
UK corporation tax for current period	393,115	11,737
Deferred tax		
Origination and reversal of timing difference	—	—
Total income tax expense	393,115	11,737

The effective tax rate is higher (2019: higher) than the standard rate of tax in the UK of 19% (2019: 19%). The actual tax expense can be reconciled to the standard rate as follows:

	2020	2019
	£	£
Profit (loss) before taxation	1,955,058	(187,964)
Expected tax expense (credit) based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	371,461	(35,713)
Tax loss and future deductible temporary difference for which no deferred tax asset has been recognised	21,654	47,450
Total income tax expense for the period	393,115	11,737

There is an unrecognised deferred tax asset ("DTA") of £79,758 which will become recognised if the company is expected to make a taxable profit in the foreseeable future. The company has not recognised such DTA as at the reporting date as the management believes that there will be neither any operational profit nor any dividend income from its subsidiaries in the foreseeable future during which such DTA can be set off.

Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 30 June 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year ended 30 June 2020.

In March 2021 Budget it was announced that the corporation tax rate will be 25% for the corporate having profits more than £250,000 and a smaller tax rate of 19% for corporate having profits below £50,000 which will be effective from 1 April 2023. The changes were introduced in Finance Bill 2021 and are not substantively enacted at the balance sheet date. Hence, they have not been incorporated into the unrecognised DTA figures presented above.

Notes to the financial statements (Continued)

7. Other Assets

Other assets as of 30 June 2020 of £187,200 (2019: nil) consisted of a rent security deposit.

8. Leases

The Company's lease consists of corporate office space. As of 30 June 2020, the Company's existing operating lease, which are recorded on the financial statements, has remaining lease terms of approximately 1 year, 4 months. The Company's lease agreements do not contain material residual value guarantees or material restrictive covenants. For the year ended 30 June 2020, there was £517,877 outflow of cash, accretion interest associated with the liability of £38,063 and lease costs of £501,568. Refer to note 1.2 for details regarding the implementation of IFRS 16.

The following table summarizes the ROU asset and lease liability recorded on the Company's Balance Sheets as of 30 June 2020:

Line Item in the Company's Balance Sheet	2020
	£
Right-of-use asset:	
Asset	699,528
Lease liabilities:	
Non-current	211,239
Current	498,390
Total lease liabilities	709,629

The activity within the year is as follows:

	Right of use assets - Land and buildings
	£
Cost	
At 1 July 2019	—
Additions (on IFRS 16 transition)	1,201,096
At 30 June 2020	1,201,096
Accumulated depreciation	
At 1 July 2019	—
Charge for the year	501,568
At 30 June 2020	501,568
Net book value	
At 30 June 2019	—
At 30 June 2020	699,528

Notes to the financial statements (Continued)

9. Trade and Other Payables

As of 30 June 2020 and 2019, the Company had the following trade and other payables:

	2020	2019
	£	£
Trade payables due to auditors	16,125	25,000
Payroll tax liabilities	15,175	3,626
Other accrued expenses	2,499	23,305
Total trade and other payables	33,799	51,931

10. Employee Benefits

As of 30 June 2020 and 2019, the Company had the following employee benefit obligations:

	2020	2019
	£	£
Accrued bonus payments for employees	1,321,455	1,149,739
Accrued unused vacation for employees	218,322	51,645
Accrued severance payments	18,665	109,305
Total employee benefit obligations	1,558,442	1,310,689

Notes to the financial statements (Continued)

11. Related Party Transactions

The Company has the following related parties which are wholly owned subsidiaries of Madison Square Garden Entertainment Corp.:

- MSG Entertainment Group, LLC
- Stratford Garden Property (UK) Limited
- Stratford Garden Property Holdings (UK) Limited

The Company's primary business activities are to assist Stratford Garden Property (UK) Limited ("SGP") and MSG Sports & Entertainment, LLC ("MSG") with the management of the construction and development of the MSG Spheres. Based on the nature of these arrangements, the Company is entitled to (1) receive reimbursement from SGP and MSG for all administration costs incurred or paid by the Company, in connection with administering the Company's obligations to SGP and MSG and (2) charge a management fee (a fixed percentage of the reimbursed costs) to SGP and MSG for all administration costs incurred or paid by the Company, in connection with administering the Company's obligations to SGP and MSG.

Aggregate related party transactions and balances which arise in the normal course of business from transactions with the related parties above are set out below:

	2020	2019
	£	£
Stratford Garden Property (UK) Limited	45,816,978	29,823,189
MSG Entertainment Group, LLC	6,243,655	2,341,711
Total intercompany receivables	52,060,633	32,164,900
Stratford Garden Property (UK) Limited	6,156,386	3,898,561
MSG Entertainment Group, LLC	6,827,189	4,096,994
Total intercompany payables	12,983,575	7,995,555

The amounts due to/(from) related parties incur interest at a rate of 4% per annum, unsecured and repayable on demand. See footnote 2 for a breakdown of revenues from related parties.

Notes to the financial statements (Continued)

12. Share based payments

The Company has an equity-settled share based compensation scheme, under which services are received from employees (including directors) as consideration for equity instruments of the Company's ultimate parent, Madison Square Garden Entertainment Company. Share-based compensation expense is generally recognised straight-line over the vesting term of the award, which typically provides for three-year cliff or graded vesting subject to continued employment. For awards that are graded vesting and subject to performance conditions to satisfy tax deductibility for executive officers, in addition to continued employment, the Company uses the graded-vesting method to recognize share-based compensation expense.

The following table summarizes activity relating to the Company's Nonperformance-based Restricted Stock Units (RSUs) and Performance-based Restricted Stock Units for the years ended 30 June 2020 and 2019:

	2020		
	Number of		Weighted-Average
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	Fair Value Per Share at Date of Grant
Unvested award balance as of July 1 2019	2,782	3,150	$ 81.82
Granted	3,398	3,398	$ 71.17
Vested	(1,049)	—	$ 80.91
Forfeitures	(115)	(131)	$ 76.10
Unvested award balance as of 30 June 2020	5,016	6,417	$ 75.70

	2019		
	Number of		Weighted-Average
	Nonperformance Based Vesting RSUs	Performance Based Vesting RSUs	Fair Value Per Share at Date of Grant
Unvested award balance as of July 1 2018	1,104	1,104	$ 69.87
Granted	2,046	2,046	$ 87.20
Vested	(368)	—	$ 69.87
Unvested award balance as of 30 June 2019	2,782	3,150	$ 81.82

Notes to the financial statements (Continued)

13. Share Capital

	2020	2019
	£	£
Authorised, called up and full paid:		
1 (2019:1) ordinary share of £1 each	1	1
	1	1

At 30 June 2019 the share capital of £1 was held by Stratford Garden Property Holdings Limited, a company registered in Jersey. During the year a group reorgainsation took place and this shareholding was transferred to Stratford Garden Property Holdings (UK) Limited, a company registered in the UK. In the year ending 30 June 2019 an additional cash infusion of £152,274,926 was made to the Company from Madison Square Garden Entertainment Corp. which was considered a Capital contribution and thus classified as equity. No capital contributions were made in the year ended 30 June 2020.

14. Immediate and Ultimate Parent Undertaking

The immediate parent undertaking is Stratford Garden Property Holdings (UK) Limited, which is registered in London, UK. The registered address of Stratford Garden Property Holdings (UK) Limited is Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB.

The ultimate parent undertaking and controlling party is Madison Square Garden Entertainment Corp., which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Madison Square Garden Entertainment Company is registered in the United States and copies of the consolidated financial statements can be obtained from the U.S. Securities and Exchange Commission's website. The registered address of Madison Square Garden Entertainment Corp. is 2 Pennsylvania Plaza New York, NY 10121 United States.

15. Events after the balance sheet date

In December 2020 a loan of £100m was made to Stratford Garden Property Holdings (UK) Limited. The loan is non interest bearing and has no fixed repayment terms.

In April 2021 the directors of the company resolved to reduce the company's capital contribution reserve by £135m.

There have been no other significant events affecting the Company since 30 June 2020.