

Registration number: 04841569

Essential Music & Marketing Limited

Directors' Report and Financial Statements

for the Year Ended 31 March 2019



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Directors' Report for the Year Ended 31 March 2019

The directors present their report and the audited financial statements of the company for the year ended 31 March 2019.

Principal activity

The principal activity of the company is the distribution of musical recordings.

Future developments and prospects

The directors do not intend the activities of the business to change for the foreseeable future.

The directors are confident that Essential Music & Marketing Limited will continue to deliver strong results through a strong release schedule, aligning its business model to the changing market and controlling costs effectively.

Results and dividends

The company made a profit for the financial year of £618,281 (2018: loss £476,748). The directors recommend a dividend payment of £Nil be made in respect of the financial year ended 31 March 2019 (2018: Nil).

Going concern

The company has made a profit for the current financial year. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Whilst Covid-19 has had some impact on physical sales via traditional retailers, it has not adversely impacted the company business overall.

Directors of the company

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

MA Smith

M Goldschmidt (resigned 10 September 2018)

LJ Meade (resigned 1 November 2018)

MA Chadwick (resigned 4 July 2019)

P Bahadur (appointed 25 October 2018)

T McCrady (appointed 25 October 2018)

B Navin (appointed 25 October 2018)

N Ross (appointed 25 October 2018)

D Siek (appointed 25 October 2018)

CL Theis (appointed 25 October 2018)

Directors' Report for the Year Ended 31 March 2019 (continued)

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' Report for the Year Ended 31 March 2019 (continued)

Statement of disclosures of information to the auditors

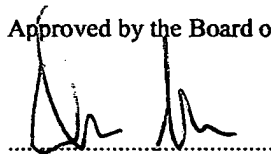
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

Approved by the Board on 7 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D Siek', written over a dotted line.

D Siek
Director

Independent Auditors' Report to the Members of Essential Music & Marketing Limited

Report on the audit of the financial statement

Opinion

- In our opinion, Essential Music & Marketing Limited's financial statements:
 - give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
 - have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Director's Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2019; the Statement of comprehensive income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

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

Independent Auditors' Report to the Members of Essential Music & Marketing Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Independent Auditors' Report to the Members of Essential Music & Marketing Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of Essential Music & Marketing Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

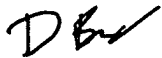
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



.....
David Beer (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

Watford

7 December 2020

Statement of comprehensive income for the Year Ended 31 March 2019

	Note	2019 £	2018 £
Turnover	4	3,864,428	2,384,544
Distribution costs		(186,144)	(113,802)
Administrative expenses		(2,994,806)	(2,835,358)
Other operating income		<u>30,000</u>	<u>27,500</u>
Operating profit/(loss)	5	<u>713,478</u>	<u>(537,116)</u>
Interest receivable and similar income		<u>298</u>	<u>333</u>
		<u>298</u>	<u>333</u>
Profit/(loss) before taxation		713,776	(536,783)
Tax on profit / (loss)	8	<u>(95,495)</u>	<u>60,035</u>
Profit/(loss) for the financial year		<u><u>618,281</u></u>	<u><u>(476,748)</u></u>

The above results were derived from continuing operations.

(Registration number: 04841569)
Balance Sheet as at 31 March 2019

	Note	2019 £	2018 £
Current assets			
Debtors: amounts falling due after more than one year		939,573	1,157,678
Debtors: amounts falling due within one year	9	15,501,273	6,524,311
Cash at bank and in hand		<u>3,896,892</u>	<u>1,496,496</u>
		20,337,738	9,178,485
Creditors: Amounts falling due within one year	10	<u>(19,344,459)</u>	<u>(8,803,487)</u>
Net assets		<u>993,279</u>	<u>374,998</u>
Capital and reserves			
Called up share capital	12	2	2
Retained earnings		<u>993,277</u>	<u>374,996</u>
Total equity		<u>993,279</u>	<u>374,998</u>

Approved and authorised by the Board on 7 December 2020 and signed on its behalf by:



D Siek
Director

Statement of Changes in Equity for the Year Ended 31 March 2019

	Called up share capital £	Retained earnings £	Total equity £
At 1 April 2018	2	374,996	374,998
Profit for the year	-	618,281	618,281
Total comprehensive income	-	618,281	618,281
At 31 March 2019	2	993,277	993,279

	Called up share capital £	Retained earnings £	Total equity £
At 1 April 2017	2	851,744	851,746
Loss for the year	-	(476,748)	(476,748)
Total comprehensive expense	-	(476,748)	(476,748)
At 31 March 2018	2	374,996	374,998

Notes to the Financial Statements for the Year Ended 31 March 2019

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

9 Derry Street

London

W8 5HY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Statement of compliance

The individual financial statements of Essential Music & Marketing Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Companies Act 2006.

The company has made a profit for the current financial year. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Going concern

Whilst Covid-19 has had some impact on physical sales via traditional retailers, it has not adversely impacted the company business overall.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- The requirements of Section 4 Statement of Financial Positions paragraph 4.12(a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);

This information is included in the consolidated financial statements of Sony Corporation as at 31 March 2019 and these financial statements may be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

Turnover and revenue recognition

Turnover comprises the value of distribution fee income. It is stated net of VAT, trade discounts and returns. Turnover relating to distribution deals is recognised only as the invoiced fees to third parties.

The company is an agent as it arranges for other entities to provide services before transferring them to customers. Therefore, revenue is recognised as the net amount retained as a commission for providing this service.

Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Taxation

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Financial instruments

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

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Critical accounting judgements and estimation uncertainty

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

Key accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

(i) Royalty advances (note 9)

Provision is made for the expected level of recoverability of royalty advances before the end of the year under review.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

4 Turnover

The turnover for the year is attributable to the principal activity of the company.

A geographical analysis of the company's turnover for the year is as follows:

	2019 £	2018 £
UK	<u>3,864,428</u>	<u>2,384,544</u>

5 Operating profit

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	-	19,380
Auditors' remuneration - Audit of company's financial statements	46,000	24,620
Impairment of amounts owed by group undertakings	24,050	-
Impairment of amounts owed to group undertakings	(310,727)	-
Foreign exchange losses	<u>20,303</u>	<u>75,049</u>

6 Directors' remuneration

Three directors received emoluments from the company for their services to the company:

	2019 £	2018 £
Aggregate emoluments	181,819	167,907
Pension scheme contributions	39,447	23,478
	<u>221,266</u>	<u>191,385</u>

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£	£
Wages and salaries	1,852,273	1,351,091
Social security costs	171,189	124,098
Other pension costs	89,435	35,221
	<u>2,112,897</u>	<u>1,510,410</u>

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

	2019	2018
	No.	No.
Sales, marketing and distribution	25	19
Administration and support	10	6
	<u>35</u>	<u>25</u>

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

8 Tax on profit/(loss)

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax	52,232	(93,315)
UK corporation tax adjustment to prior periods	68,690	-
	<u>120,922</u>	<u>(93,315)</u>
Foreign tax	-	34,807
Total current income tax	<u>120,922</u>	<u>(58,508)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	42,453	(1,566)
Arising from changes in tax rates and laws	(4,469)	165
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(63,411)	(126)
Total deferred taxation	<u>(25,427)</u>	<u>(1,527)</u>
Tax expense/(receipt) in the income statement	<u>95,495</u>	<u>(60,035)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit/(loss) before tax	<u>713,776</u>	<u>(536,783)</u>
Corporation tax at standard rate	135,617	(101,989)

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

8 Tax on profit/(loss) (continued)

	2019 £	2018 £
(Decrease)/increase from effect of tax rate change on opening balance	(4,469)	165
Effect of revenues exempt from taxation	(49,878)	-
Effect of expense not deductible in determining taxable profit (tax loss)	8,946	7,108
Tax increase arising from overseas tax suffered/expensed	-	34,807
Other tax effects for reconciliation between accounting profit and tax expense (income)	5,279	(126)
Total tax charge/(credit)	<u>95,495</u>	<u>(60,035)</u>

The company had trading losses brought forward of £370,863 (2018: nil). No deferred tax asset has been recognised of £95,959 of these losses due to restrictions on utilisation of brought forward losses in any one year.

9 Debtors

	Note	2019 £	2018 £
<i>Amounts falling due within one year:</i>			
Trade debtors		1,596,955	1,878,309
Amounts owed by group undertakings		8,628,900	688,606
Other debtors		293,734	199,338
Taxation and social security		473,515	314,638
Royalty advances		2,409,369	1,279,514
Corporation tax debtor	8	-	93,315
Deferred tax assets	8	27,084	1,658
Prepayments and accrued income		2,071,716	2,068,933
		<u>15,501,273</u>	<u>6,524,311</u>

Amounts falling due after more than one year:

Royalty advances	939,573	1,157,678
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Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

10 Creditors

	Note	2019 £	2018 £
<i>Amounts falling due within one year:</i>			
Trade creditors		224,639	447,214
Amounts owed to group undertakings		14,013,388	3,849,442
Corporation tax creditor	8	27,607	-
Royalties and licences		2,618,339	924,886
Accruals and deferred income		<u>2,460,486</u>	<u>3,581,945</u>
		<u>19,344,459</u>	<u>8,803,487</u>

11 Deferred taxation

The movement on deferred tax is as follows:

	2019 £	2018 £
Asset at start of year	1,658	131
Deferred tax credit in profit and loss account	(37,984)	1,401
Adjustment in respect of prior years	<u>63,411</u>	<u>126</u>
Asset at end of year	<u>27,085</u>	<u>1,658</u>

12 Called up share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

13 Related party transactions

The company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

As at 31 March 2019 Cooking Vinyl Limited owed Essential Music & Marketing Limited £147,826. This comprised of DSP revenues of £251,387 collected by Cooking Vinyl Limited on behalf of Essential Music & Marketing Limited, offset by label distribution revenues due to Cooking Vinyl Limited of £103,561. Cooking Vinyl Limited is a related party as a director of Cooking Vinyl Limited was also a director of Essential Music & Marketing Limited. All transactions between both parties took place on an arm's length basis.

14 Parent and ultimate parent undertaking

The company's immediate parent is Sony Music Entertainment UK Limited, incorporated in England and Wales.

The ultimate parent is Sony Corporation, incorporated in Japan.

The most senior parent entity producing publicly available financial statements is Sony Corporation. These financial statements are available upon request from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

The ultimate controlling party is Sony Corporation.