

COMPANY REGISTRATION NUMBER 05062390

UNIVERSAL MUSIC UK SOUND FOUNDATION

FINANCIAL STATEMENTS

COMPANY LIMITED BY GUARANTEE

31 JULY 2022

Charity Number 1104027

COMPANY REGISTRATION NUMBER 05062390

UNIVERSAL MUSIC UK SOUND FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

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UNIVERSAL MUSIC UK SOUND FOUNDATION

ADVISORS AND ADMINISTRATIVE DETAILS

REGISTERED CHARITY NAME Universal Music UK Sound Foundation
CHARITY NUMBER 1104027
COMPANY REGISTRATION NUMBER 05062390 registered in England and Wales

REGISTERED OFFICE 4 Pancras Square
London
N1C 4AG

TRUSTEES Laura Arowolo
Charles Ashcroft
Adam Barker (Chair)
Jim Beach (resigned 24 January 2022)
Paul Gambaccini
Keith Harris OBE
Jo Hibbitt
Leslie Hill
David Hughes MBE
Rupert Perry CBE
Tony Wadsworth CBE

AUDITOR Deloitte LLP
3 Rivergate
Temple Quay
Bristol BS1 6GD

BANKERS Barclays Bank plc
75 Kings Street
Hammersmith
London
W6 9HY

SOLICITORS BDP Pitmans LLP
One Bartholomew Close
London
EC1A 7BL

INVESTMENT MANAGERS Evelyn Partners (previously Smith & Williamson)
45 Gresham Street
London
EC2V 7BG

Rathbone Brothers Plc
8 Finsbury Circus
London
EC2M 7AZ

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT

YEAR ENDED 31 JULY 2022

The trustees present their statutory report together with the audited financial statements of Universal Music UK Sound Foundation (the "Charity" or the "Foundation") for the year ended 31 July 2022. This Trustees' Report, required by the Charities Act 2011, is also the Directors' Report prepared in accordance with the Companies Act 2006. This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption including the exemption from preparing a strategic report.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Charity's Governing Document

The Charity is a company limited by guarantee incorporated on 3 March 2004 and registered as a charity on 28 May 2004. The Charity is governed accordingly by its Memorandum and Articles of Association.

Trustees

For the purposes of company law the individuals listed are both charity trustees and directors of the Charity, and are appointed in accordance with the Charity's constitution. Details of the trustees who held office during the year and thereafter are as follows:

Laura Arowolo
Charles Ashcroft
Adam Barker – Chair
Jim Beach (resigned 24 January 2022)
Paul Gambaccini
Keith Harris OBE
Jo Hibbitt
Leslie Hill
David Hughes MBE
Rupert Perry CBE
Tony Wadsworth CBE

Treasurer

Duncan Bratchell

Name of Senior Donated Employee

Janie Orr MBE (Chief Executive)

Methods of Recruitment and Appointment of Trustees

Under the constitution, the maximum number of trustees is 12 and the minimum number is 4 (although the members of the Charity can amend these numbers at a general meeting). Trustees are elected by a simple majority of all the trustees entitled to attend and vote at any board meeting. Each trustee is appointed for a 3 year period commencing with their appointment and ending at the first Board meeting held on or after 1 September in the third year. A trustee is eligible for reappointment following each 3 year appointment.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

Methods of Recruitment and Appointment of Trustees *(continued)*

The Charity aims to retain and recruit a diverse and active trustee board, with a broad range of skills and experience. Candidates may be selected from a pool of music industry and teaching talent already known to the trustees, or may alternatively be sought through advertisement, in each case in accordance with a comprehensive recruitment policy which is reviewed by the trustees every two years, most recently at the July 2022 Trustees meeting.

In the case of all appointments: -

- (a) the chair of the trustees will write to the prospective trustee(s) setting out what their duties would be and the Foundation's expectations of them;
- (b) prospective trustee(s) must confirm in writing that they have not been disqualified from acting as a trustee or director and declare any existing or potential conflicts of interest;
- (c) prospective trustee(s) will be provided with an information pack on the Foundation including:
 - copy of the constitution;
 - the Foundation's latest report and accounts;
 - copies of all the current policy documents adopted by the trustees;
 - minutes of the meetings of the trustees and Audit and Finance Committee from the last 12 months;
 - general information relating to the activities of the Foundation (as relevant);
 - the latest version of Charity Commission Guidance CC3 – "The Essential Trustee: What you need to know, What you need to do";
 - a summary document outlining all the funding streams that the Foundation offers;
- (d) new trustees will be offered an initial induction as well as the more formal periodic training which all trustees receive.

Chair

Adam Barker was reappointed chair on 8 March 2022 to serve for a further 3 year term.

Training provided for Trustees

The trustees and the Foundation's staff received detailed training from our independent legal advisors in July 2021. This training session focused on a review of the Charity's governance arrangements based on the principles in the Charity Governance Code, further details of which are set out in the "Charity Governance Code" section below.

How the Charity is managed

The Charity is managed by a Chief Executive and two part time assistants whose services are donated by Universal Music Group. The Charity benefits from office and administration services also provided by Universal Music Group International Limited through the Service Agreement as referred to in the "Details of related parties" section below. The Charity does not employ any staff. Any Charity staff referred to elsewhere in this report are employed by Universal Music Holdings Limited.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

How Decisions are made

The trustees have three formal meetings each year, for which agendas and supporting papers are sent out in advance. Matters requiring decisions between the scheduled meetings are dealt with by email, with ratification at the next scheduled meeting, and by written resolutions of the trustees. There is an Audit and Finance Committee which meets when appropriate and at least once a year to review the trustees' annual report and financial statements and the Charity's investment management arrangements.

A rolling Grants Committee reviews applications for financial support and puts forward recommendations for the full board of trustees to consider at their meetings. Where trustees are involved with an organisation which receives a grant or bursary from the Charity, they do not participate in the grant or bursary approval. Immediately after the deadline for applications, a meeting is fixed with the Chief Executive and two trustees (trustees rotate membership of this committee) where all applications are reviewed and recommendations made.

Each year colleges receiving bursaries from the Charity send details of nominated students to the Charity. The nominations, which must comply with pre-agreed criteria set by the Foundation, are then circulated to the full board of trustees for review and, if agreed, approval.

Charity Governance Code

The trustees are aware of the Charity Governance Code, as updated in December 2020, which sets out the principles of recommended practice for good governance within the sector. The trustees have reviewed the Charity's governance arrangements against the principles within the Code and believe that, taking into account the size and nature of the Charity as a grant maker, the Charity is operating in line with the fundamental principles.

A new code of conduct for trustees was approved at the July trustees meeting and will be reviewed every 2 years.

The trustees will continue to keep the Charity's governance under periodic review using the Code as a point of reference.

PUBLIC BENEFIT STATEMENT

The trustees continue to comply with their duty to have regard to the Charity Commission's guidance in exercising their powers and duties and, in particular, confirm that they have referred to the Commission's guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities and setting the grant making policy for the year. The descriptions of the trustees' objectives and activities set out below clearly demonstrate that the Charity's objectives are entirely charitable and that the public benefit requirement is being met.

AUDITOR

The Charity has dispensed with the requirement to appoint the auditor annually under section 485 of the Companies Act 2006. Deloitte were formally appointed in 2017 and they remain appointed for the period under review.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

Objects of the Charity

The aim of the Charity as defined by its Memorandum and Articles of Association is to support music education for young people in all its forms.

Funds are distributed in the following ways:

- bursaries for music students and music education programmes at the colleges and organisations we have selected;
- funding of projects for schools sponsored by the Charity, as described below; and
- individual grants, generally not exceeding £1,500, in the following areas:
 - funding music education in schools (primary, secondary and tertiary), principally by assisting in the purchase of instruments and/or equipment;
 - assisting in the purchase of musical instruments and/or equipment for students in full time education; and
 - funding music teachers to advance their training and to attend relevant courses.

The trustees are pleased to report that the activities undertaken over the period have continued to support the Charity's aims and objectives to assist young people through the provision of bursaries and grants as described in this report.

Schools Project

The trustees continue their previous practice of offering funding to the Foundation's partner schools for a year-long music project to be spent on supporting one or a combination of a Wider Opportunities programme (Whole Class Instrumental/Vocal Tuition), Key Stage 1 music involving training non-specialist music teachers in the feeder primary schools associated with the sponsored secondary schools, Teacher Training/Workshops and Hardship Funding to support lessons for students of limited financial means.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

ACHIEVEMENTS AND PERFORMANCE

Summary of Activities

During the year the Foundation made grants totaling £283,134 (2021: £148,041) to individual and school applicants. Please see note 12 for the full disclosure of the amounts approved/written back during the year. The total number of awards made in the year was 386 (2021: 206) which was 180 more than the previous year which had been heavily impacted by COVID and the national lockdowns. These grants which the Charity provides are demand led as well as being based on the applications received meeting the Foundation's criteria and the total grants made being within the budget set by the trustees; fluctuations in grant funding are therefore to be expected.

Twenty-one of the Charity's partner secondary schools participated in the annual schools' project. A £150,000 budget was approved by the trustees in September 2021 to support our twenty-five partner schools; however, not all schools took part in the offer. The Charity continues to carry out extensive monitoring of this project, now in its eleventh year, to ensure that funding is used appropriately. End of project evaluations are submitted and the questions updated year on year to capture details of whether future offers need to be amended. With the roll out of the Government's new National Plan for Music Education there may well be a need for the Foundation to consider tailoring future offers to schools to support this. The primary uses of our funding continue to be the hardship instrument lesson support costs and vital resources for the music departments. Our website has a listing and a map showing the location of the partner schools with which the Foundation works.

The Charity continues its support of tertiary education through annual bursaries. Bursaries at the organisations listed below were granted for 3 years in July 2022. Our bursaries are subject to adherence to the student nomination criteria specified by the Charity and to the trustees' approval of successful applicants. During the year a total of £60,232 (2021: £65,000) was paid to the following colleges and organisations:

- Royal Birmingham Conservatoire
- BIMM University
- Centre for Young Musicians, London
- English National Opera (ENO) - EVOLVE scheme for young orchestral musicians
- Irish World Academy of Music and Dance, University of Limerick
- Liverpool Institute for Performing Arts (LIPA)
- National Children's Orchestra
- National Youth Jazz Orchestra (NYJO)
- Royal Academy of Music, London
- Royal Conservatoire of Scotland, Glasgow
- Royal Welsh College of Music & Drama, Cardiff

In October 2018 the trustees approved a 3 year bursary for the University College London, Institute of Education to support teachers undertaking the MA in Music Education course. The bursary was open to UK teachers to assist with the cost of their fees. The five MA students approved for funding in October 2019 completed their dissertations in summer 2021. Four of the students presented to the Foundation's staff and one of the trustees and summaries of these presentations were shared with the trustees at their July 2021 meeting. The 2 remaining students funded with this bursary have both been awarded MA with Distinction.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

Decca Bursary

The Decca Bursary restricted fund will be used to fund a new classical schools music workshop. Future fundraising is also being explored to add to the capital funds so that a new round of awards can be opened in Spring 2023. The Decca Bursary is a restricted fund to inspire and encourage a new generation of classical musicians and composers.

Measures of success, and how the measurement information is obtained

In addition to the monitoring and evaluations referred to above, the Charity encourages those it supports to remain in contact and to provide updates which it regularly uploads onto its website. The Charity continues to receive annual reports, website stories and GCSE results from its sponsored schools, thus enabling it to monitor performance and assess the impact of the financial support provided as well as informing our grant decision making for the following year.

Financial Review

The principal funding sources for the period were investment and donations income. The market value of funds under investment on 31 July 2022 was £7,418,905 (2021: £8,048,377), a decrease of £629,472 or 8% reflecting movements in the investment portfolio as well as the grants and awards paid during the year totaling £283,134 (2021: £148,041). During the year a total of £65,000 (2021: £65,000) was paid to bursaries. The trustees are satisfied with the performance of the investment portfolio given market conditions during the year. Please see note 15 for details of the movement in the valuation since year end.

The trustees are very grateful to Universal Music Group International Limited for its generous funding of the Charity through the Service Agreement referred to in the "Details of related parties" section below.

The net expenditure for the year was £595,302 (2021: net income of £996,631) and the net assets as at 31 July 2022 were £7,425,559 (2021: £8,020,862).

Please refer to 'Summary of activities' on page 6 for a review of our grantmaking activity in the year.

PLANS FOR FUTURE PERIODS

The trustees will continue to monitor their funding schemes. With music education under continued pressure as a result of the pandemic and the extended time students have been away from schools, demand for the Foundation's funding is expected to increase.

It is also expected that the impact of the global energy crisis and rising inflation on household incomes will further increase the need for the Foundation to support young musicians.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

GOING CONCERN

The financial statements have been prepared on a going concern basis. The trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future.

The trustees of the Charity have considered the Charity's position and have determined that the Charity has sufficient funds to continue to operate as a going concern for a period of twelve months from the date of signing. The Charity's grant funding activities are generally funded through the investment portfolio held. The trustees are confident that it is appropriate to consider the Charity a going concern.

RESERVES POLICY

The Charity's funds as at 31 July 2022 were £7,425,559 (2021: £8,020,862), of which £20,104 were restricted (2021: £18,341) for the Decca Bursary as detailed on page 7 of this report. Further detail is set out in note 13 to these accounts.

The unrestricted funds are predominantly held in investments. These are readily convertible to cash to enable the trustees to fulfil the objectives of the Charity. The policy is to hold sufficient investments in order to generate investment income and to support the charitable activities of Universal Music UK Sound Foundation. Overheads are borne by the Service Agreement with Universal Music Group. Every grant round, the Board takes into account the reserve situation. The only extended commitment of the Charity is the 3-year bursary scheme amounting to £65k annually, easily covered by the investment funds.

The reserves held as at year-end are sufficient to comply with the reserves policy.

In light of the ongoing operational support available through the Service Agreement (referred to in the "Details of related parties" section below) the trustees believe at this time there is no requirement to set aside funds to cover these costs. The trustees are aware, however, that it might become necessary to set aside funds were Universal Music Group International Limited to withdraw from the Service Agreement in the future.

The trustees review this policy on an annual basis.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

RISK MANAGEMENT STATEMENT

In accordance with the Charities Statement of Recommended Practice, the trustees regularly review the Foundation's risk exposure. A description of the principal risks and uncertainties facing the Foundation, as identified by the trustees, together with a summary of their plans and strategies for managing those risks, is set out below.

Risks connected with Grant Making

The trustees are aware that they have a duty to take all reasonable steps to ensure that the grants the Charity makes accord with the Foundation's objectives and are used for the intended purpose by the selected recipients. To this end the trustees seek detailed information from applicants for funding, with each individual applicant being asked to provide:

- details of their personal financial contribution towards the purchase;
- quotes from the intended suppliers written on official letterhead or provided from the website; and
- supporting references, which are a pre-requisite for individual music students.

All individual applications require a reference from the applicant's qualified music teacher and school applications are supported by a statement from the headteacher. Grants are approved at the trustees' meetings and acknowledgements are sought from the recipients. All recipients are either schools, individual music students with reliable references or music teachers. Payments are made only to schools, reputable music instrument suppliers or music teacher course suppliers, except that where an applicant proposes to buy an instrument from another individual, the Charity first obtains written confirmation from each party that they are not related or connected in any other way.

Safeguarding

Whilst the trustees consider that the Foundation's risk of safeguarding issues is very limited, they have nevertheless created a formal Safeguarding policy with a view to ensuring a safe and appropriate environment for children and vulnerable adults who might come into contact with the Foundation, its staff, trustees and others representing it. This policy is reviewed by the trustees every 2 years. The Foundation's three members of staff have all completed a basic DBS check (a criminal record check carried out by the Disclosure and Barring Service; a non-departmental public body sponsored by the Home Office).

Investment Risks

The potential risks posed by the performance of the Foundation's investment portfolio include whether it generates a sufficient return to cover annual expenditure in the short-term, and the risk of decreases in the market value of the portfolio in the longer-term, which could restrict the Charity's ability to make grants.

The steps taken by the trustees to manage these risks are described under the heading "Investments" on page 11 of this report. In addition, the Foundation's investment managers, Rathbones and Evelyn Partners (formerly called Smith & Williamson), are subject to detailed regulatory requirements and have extensive internal compliance procedures in place. The trustees undertake periodic formal reviews of their investment policy and the investment management arrangements.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

RISK MANAGEMENT STATEMENT *(continued)*

Financial Risks

The trustees are aware of the potential risks associated with the financial management of the Charity. Accounting and administration of the Charity is carried out by Universal Music Group International ("UMGI"), which provides the necessary support from its Group Finance, Secretarial and other relevant functions. An ongoing dialogue is maintained between the Chief Executive and a UMGI financial representative. Any cause for concern is brought to the attention of the Treasurer who communicates with the trustees. Under the Service Agreement referred to below UMGI has specific contractual obligations to the Charity regarding the provision of its services. The trustees are satisfied with the financial services provided by UMGI and its assurance that all the financial records are securely maintained with appropriate financial controls.

Authorisation to execute any payment or banking instruction requires two signatures or two electronic approvals. All trustees, the Chief Executive and the Treasurer are authorised signatories. Cheques/electronic payments and other payment instructions up to £5,000 may be executed by the Chief Executive and the Treasurer together; these are then reported to the next trustee meeting. All other payment instructions require the approval of at least one trustee. Since the onset of the pandemic the Foundation has moved to online payments with the Chair, the Chief Executive and one other trustee approved for online banking. The Chief Executive is authorised to enter into procurement and any other agreements within financial controls set by the trustees up to a limit of £15,000 per agreement to allow her to carry out the responsibilities of the Chief Executive.

Full accounts are prepared annually and audited by the external auditor. They are reviewed at a formal meeting of the trustees as well as in greater detail by the Audit and Finance Committee. In addition at each trustee meeting the Treasurer reports on the Charity's financial position.

Risks associated with UMGI Service Agreement

As described above and elsewhere in this Report, the Foundation has the benefit of a Service Agreement with UMGI for the provision of accounting, website hosting and data processing, administrative and insurance services and office accommodation, as well as the provision of a Chief Executive and assistants. Since UMGI's services under the Service Agreement are donated to the Foundation, the agreement is a significant continuing benefit to the Foundation. The agreement is a rolling three year commitment, terminable on three years' notice. To date notice has not been given and therefore contractually the future support of UMGI for the Foundation is secured for at least three years. UMGI senior management is aware of the Service Agreement and each year formally confirms the continued provision of service.

The Service Agreement is reviewed periodically for legal compliance and the outcome of the review is shared with the trustees. In addition, the trustees periodically review the impact on the Charity were the Service Agreement to be terminated.

Risks associated with Processing of Personal Data

Following the coming into force of the General Data Protection Regulation and associated changes in data protection legislation, the processing of personal data provided by grant applicants and others is an increasingly important area for the management of risk. The Charity has adopted detailed policies and procedures which are designed to assure compliance with the GDPR's data protection principles, including the requirement for a lawful basis for processing, the information to be given to data subjects by means of the Charity's detailed Privacy Notice, the retention and subsequent deletion of personal data, the security of data held, the reporting of data breaches, the protection of data subjects' rights and the Charity's ability to demonstrate its compliance with the data protection principles. The Foundation's policy and procedures document was updated in relation to Brexit and the incorporation of the Regulation into UK law with the new document being approved by the trustees at their July 2022 meeting. As at the date of approval of this report the Charity is not aware of any data breaches having occurred and no subject data requests have been received.

The trustees believe that all current areas of key risk have been considered and that reasonable precautions have been taken to avoid loss arising from the identified risks.

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' ANNUAL REPORT *(continued)*

YEAR ENDED 31 JULY 2022

POLICIES FOR AWARDING GRANTS

The Charity's grant policy was reviewed by the trustees at their July 2022 meeting and approved. Key parameters for support remain the same as previous years and are described above under the 'Objects of the Charity' section (page 5). The trustees limit grant making to the UK and Eire and the maximum that can be applied for by either individuals or schools is £1,500.

INVESTMENTS

The investment managers appointed by the Charity continue to present to the trustees or to the Audit and Finance Committee at least twice each year, when the performance of the Charity's portfolio is discussed in detail along with the investment strategy.

Monthly valuations continue to be sent to the Chief Executive and Treasurer as well as each of them continuing to have online access to statements of the Foundation's funds.

The key objective of the investment strategy is for the investments to produce income and capital growth so as to meet the financial commitments of the Charity in each year. There are formal agreements in place between the Charity and each investment manager which cover, amongst other matters, the Charity's investment policy and certain limitations on the managers' investment powers.

The trustees continue to receive both face to face and printed updates from each manager so as to closely monitor performance. As part of their monitoring of the managers' performance and the most appropriate investment objectives, the trustees have instigated periodic stress testing of the Foundation's funds to show a range of outcomes against different levels of asset performance and of grant and other support expenditure.

USE MADE OF VOLUNTEERS

From time to time students from schools local to the Charity's offices or schools with which the Charity has been associated apply for work experience positions at the Charity and are accommodated where possible. No such volunteers were used in the current year or prior year.

FUNDRAISING

The Charity did not carry out any fundraising during the year.

DETAILS OF RELATED PARTIES

The Charity has one wholly owned subsidiary, MSFC Limited (company registration number 03287591, registered address 4 Pancras Square, London N1C 4AG), which is incorporated in the UK. MSFC Limited has entered into a deed of covenant whereby it covenants its taxable profits to the Charity. MSFC Limited had no material transactions in the period under review. There were no transactions between MSFC Limited and the Charity in the current or prior year. The balance owed by the subsidiary is shown in note 11.

There is a rolling three-year Service Agreement between the Charity and UMGI, whereby UMGI agrees to provide, on a free of charge basis, a Chief Executive and support staff and the necessary offices for the Charity, as well as website hosting and data processing, insurance and various accounting, administrative and other support services. The remuneration of key personnel is therefore set by UMGI alone, not by the Charity. The insurances provided through UMGI include Directors and Officers insurance for the trustees. UMGI also donates £10,000 to the Foundation annually.

In July 2019 the Foundation entered into a formal agreement with Decca Records, part of Universal Music Group, for the creation, operation and administration of the Decca Bursary (a restricted fund of the Foundation).

Approved by the trustees on 21 March 2023.

And signed on their behalf


Adam Barker (Chair)

UNIVERSAL MUSIC UK SOUND FOUNDATION

TRUSTEES' STATEMENT OF RESPONSIBILITIES

YEAR ENDED 31 JULY 2022

The trustees (who are also directors of Universal Music UK Sound Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UNIVERSAL MUSIC UK SOUND FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC UK SOUND FOUNDATION

Report on the audit of the financial statements

In our opinion the financial statements of Universal Music UK Sound Foundation (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial activities (incorporating the income and expenditure account);
- the balance sheet; and
- the related notes 1 to 16.

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).

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 charitable 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

In auditing the financial statements, we have concluded that the trustees' 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 charitable 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 trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the trustees' annual report. 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 course of 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 this gives rise to 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.

UNIVERSAL MUSIC UK SOUND FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC UK SOUND FOUNDATION *(continued)*

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) 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 trustees 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the charitable company's industry and its control environment, and reviewed the charitable company's documentation of its policy and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the charitable company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Charities Act and UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These included the Charity Commission for England and Wales (Charity Commission) regulations and GDPR.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- **Cut-off of bursary grant expenditure:** we tested the design and implementation of controls in place around grant expenditure, obtained a copy of the notifications to bursary recipients in the year to determine that the expenditure recognised in the year is consistent with the timing of the notification, and reviewed the minutes for any indications of additional instalments approved in the current year.

UNIVERSAL MUSIC UK SOUND FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC UK SOUND FOUNDATION (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 trustees' report, which includes the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report included within the trustees' report.

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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the trustees' report and from the requirement to prepare a strategic report.

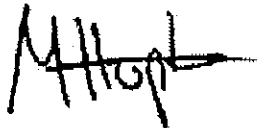
We have nothing to report in respect of these matters.

UNIVERSAL MUSIC UK SOUND FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC UK SOUND FOUNDATION *(continued)*

Use of our report

This report is made solely to the charitable 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 charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Michelle Hopton, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, UK
21 March 2023

UNIVERSAL MUSIC UK SOUND FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT)

YEAR ENDED 31 JULY 2022

| | Note | Unrestricted Fund 2022 £ | Restricted Fund 2022 £ | Total Funds 2022 £ | Unrestricted Fund 2021 £ | Restricted Fund 2021 £ | Total Funds 2021 £ |
|--|------|--------------------------------|------------------------------|--------------------------|--------------------------------|------------------------------|--------------------------|
| INCOME FROM | | | | | | | |
| Donations | 2 | 212,566 | 2,079 | 214,639 | 194,025 | 15,785 | 209,810 |
| Investments | 3 | 202,425 | - | 202,425 | 205,876 | - | 205,876 |
| TOTAL INCOME | | <u>414,991</u> | <u>2,079</u> | <u>417,064</u> | <u>399,901</u> | <u>15,785</u> | <u>415,686</u> |
| EXPENDITURE ON | | | | | | | |
| Investment management costs | | (60,810) | - | (60,810) | (59,157) | - | (59,157) |
| Charitable activities | 7 | (635,378) | (316) | (635,694) | (634,253) | 513 | (633,740) |
| TOTAL EXPENDITURE | | <u>(696,188)</u> | <u>(316)</u> | <u>(696,504)</u> | <u>(693,410)</u> | <u>513</u> | <u>(692,897)</u> |
| NET (EXPENDITURE) / INCOME BEFORE INVESTMENT GAINS | | <u>(281,204)</u> | <u>1,763</u> | <u>(279,440)</u> | <u>(93,509)</u> | <u>16,298</u> | <u>(77,211)</u> |
| Realised (losses) / gains on disposal of investments | | (69,485) | - | (69,485) | 141,299 | - | 141,299 |
| Unrealised (losses) / gains on investments | | (246,377) | - | (246,377) | 932,543 | - | 932,543 |
| Net (losses) / gains on investments | | <u>(315,862)</u> | <u>-</u> | <u>(315,862)</u> | <u>1,073,842</u> | <u>-</u> | <u>1,073,842</u> |
| NET (EXPENDITURE) / INCOME FOR THE YEAR/NET MOVEMENT IN FUNDS | | <u>(597,066)</u> | <u>1,763</u> | <u>(595,302)</u> | <u>980,333</u> | <u>16,298</u> | <u>996,631</u> |
| RECONCILIATION OF FUNDS | | | | | | | |
| Total funds brought forward | | 8,002,521 | 18,341 | 8,020,861 | 7,022,188 | 2,043 | 7,024,231 |
| Net movement in funds | | (597,066) | 1,763 | (595,302) | 980,333 | 16,298 | 996,631 |
| TOTAL FUNDS CARRIED FORWARD | | <u>7,405,455</u> | <u>20,104</u> | <u>7,425,559</u> | <u>8,002,521</u> | <u>18,341</u> | <u>8,020,862</u> |

All of the above amounts relate to continuing activities. There were no other recognised gains or losses other than those listed above and the net income/(expenditure) for the year. The Charity has taken the exemption from preparing group accounts under section 405 of the Companies Act 2006.

UNIVERSAL MUSIC UK SOUND FOUNDATION

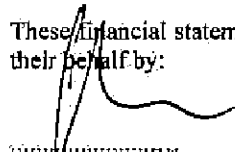
BALANCE SHEET

31 JULY 2022

| | Note | Unrestricted Funds 2022 £ | Restricted Funds 2022 £ | Total Funds 2022 £ | Unrestricted Funds 2021 £ | Restricted Funds 2021 £ | Total Funds 2021 £ |
|--|------|------------------------------|----------------------------|-----------------------|------------------------------|----------------------------|-----------------------|
| FIXED ASSETS | | | | | | | |
| Investments in subsidiaries | 9 | 1 | - | 1 | 1 | - | 1 |
| Other investments | 10 | 7,418,905 | - | 7,418,905 | 8,048,377 | - | 8,048,377 |
| | | <u>7,418,906</u> | <u>-</u> | <u>7,418,906</u> | <u>8,048,378</u> | <u>-</u> | <u>8,048,378</u> |
| CURRENT ASSETS | | | | | | | |
| Debtors | 11 | 222 | (0) | 222 | 223 | 12,309 | 12,532 |
| Cash at bank | | 5,864 | 20,353 | 26,217 | 5,029 | 8,380 | 13,409 |
| | | <u>6,086</u> | <u>20,352</u> | <u>26,438</u> | <u>5,252</u> | <u>20,689</u> | <u>25,941</u> |
| CREDITORS: amounts falling due within | 12 | (19,537) | (248) | (19,785) | (51,109) | (2,348) | (53,457) |
| NET CURRENT ASSETS / (LIABILITIES) | | (13,451) | 20,104 | 6,653 | (45,857) | 18,341 | (27,516) |
| NET ASSETS | | 7,405,455 | 20,104 | 7,425,559 | 8,002,521 | 18,341 | 8,020,862 |
| FUNDS | | | | | | | |
| Unrestricted | 13 | 7,405,455 | - | 7,405,455 | 8,002,521 | - | 8,002,521 |
| Restricted | 13 | - | 20,104 | 20,104 | - | 18,341 | 18,341 |
| TOTAL FUNDS | | 7,405,455 | 20,104 | 7,425,559 | 8,002,521 | 18,341 | 8,020,862 |

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

These financial statements were approved by the trustees and authorised for issue on 21 March 2023 and are signed on their behalf by:


Adam Barker (Chair)

Company Registration Number: 05062390

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), effective 1 January 2019 – to be abbreviated as Charities SORP (FRS102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

The Charity meets the definition of a public benefit entity under FRS102, and is incorporated in England and Wales as a company limited by guarantee, not having a share capital (note 16). The Charity is a registered charity. The registered office is given on page 1. The financial statements have been prepared under the historical cost convention, except for investments which are included at market value.

Exemption from preparing consolidated accounts

Under section 405 of the Companies Act 2006 the Charity has opted not to prepare consolidated accounts. For both 2020/21 and 2021/22 all subsidiary undertakings may be excluded from consolidation in line with the thresholds in section 405 of the Companies Act. The Charity's only subsidiary excluded from consolidation is MSFC Limited (03287591), excluded under section 405 (2) of the Companies Act 2006 as the subsidiary is inactive and not material to the group.

Cash flow Statement and Statement of Change in Equity

The charitable company has not prepared a cash flow statement nor a statement of change in equity as the Charity is not a larger entity as defined by the SORP and is a small company as defined in the Companies Act (2006).

Going concern

The financial statements have been prepared on a going concern basis. The trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future.

The trustees of the Charity have considered the Charity's position and have determined that the Charity has sufficient funds to continue to operate as a going concern for a period of twelve months from the date of signing. The Charity's grant funding activities are generally funded through the investment portfolio held. The trustees are confident that it is appropriate to consider the Charity a going concern.

Expenditure

Charitable activities expenditure comprises grants made in accordance with the defined charitable purposes of the Charity.

Governance costs include expenditure incurred on compliance with constitutional and statutory requirements.

Support costs, including management and administration costs, have been allocated against charitable activities. No support costs have been allocated to restricted costs as they are immaterial.

A commitment is made when grants are approved by the trustees and communicated to the applicants. Grants are recorded as expenditure on the basis of these amounts.

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

1. ACCOUNTING POLICIES (continued)

Debtors

Debtors are recognised where the Charity is owed funds by a third party. They are measured at the recoverable amount, which includes any provision for bad and doubtful debts.

Creditors

Creditors are recognised where the Charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are recognised at their settlement amount.

Deferred Income

Deferred income is recognised where funds have been received during the accounting period, but for which the Charity has unfulfilled obligations relating to those funds which will not be carried out until subsequent accounting periods.

Income

All income is credited to the statement of financial activities on an accruals basis. Services donated to the Charity are included as "Donations" at cost at the time of receipt.

All incoming resources are accounted for on an accruals basis and are included in the Statement of Financial Activities when:

- the Charity becomes entitled to the resources;
- the trustees anticipate that they will receive the resources; and
- the monetary value can be measured with sufficient reliability.

Taxation

The Charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Charity is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Investment assets

Investments, excluding investment in subsidiary, are classified as financial assets at "fair value through profit and loss". These are measured at market value as at the balance sheet date. Realised and unrealised gains on investments are recognised in the statement of financial activities. The Charity measures investments in subsidiary undertakings at cost less impairment. In the current and prior year all investments held by the Charity are held in unrestricted funds.

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

1. ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets and financial liabilities are recognised when the Charity becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The accounting policy for investments is stated above.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Creditors and provisions are recognised where the Charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Critical judgements and sources of estimation uncertainty

There are no key sources of estimation uncertainty as at the reporting date.

2. DONATIONS

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|---------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Donations received | 10,000 | 2,079 | 12,079 | 25,785 |
| Donated services and facilities | 202,560 | - | 202,560 | 184,025 |
| | <u>212,560</u> | <u>2,079</u> | <u>214,639</u> | <u>209,810</u> |

During the 12-month period ended 31 July 2022 Universal Music Group International Limited seconded staff and provided accommodation and services free of charge to the Charity.

Under the terms of the Charities' Statement of Recommended Practice, the Charity records the commercial benefit received from Universal Music Group International Limited as donated services and facilities, with an equivalent being included as expenditure under appropriate headings. The income of £202,560 (2021 - £184,025) recognised is based on the actual cost incurred by Universal Music Group International Limited, relating to seconded staff and audit fees.

All donations the Charity receives in respect of the Decca bursary have been recognised as a restricted fund.

3. INCOME FROM INVESTMENTS

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|-------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Income from investments | 202,425 | - | 202,425 | 205,876 |
| | <u>202,425</u> | <u>-</u> | <u>202,425</u> | <u>205,876</u> |

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

4. GOVERNANCE COSTS

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|-------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Legal fees | 3,780 | - | 3,780 | 1,683 |
| Audit fees | 20,000 | - | 20,000 | 16,000 |
| Other costs | 6,673 | 68 | 6,741 | 2,224 |
| Total | <u>30,453</u> | <u>68</u> | <u>30,521</u> | <u>19,907</u> |

5. SUPPORT COSTS

| | 2022 £ | 2021 £ |
|-------------------------------|----------------|----------------|
| Management and administration | <u>182,560</u> | <u>168,025</u> |

Management and administrative costs represent the donated services for all staff seconded by Universal Music Group International Limited to the Charity. These costs are allocated to charitable activities.

6. AUDITOR'S REMUNERATION

Audit fees of £20,000 (2021 - £16,000) are borne by Universal Music Group International Limited, which has not re-allocated any fees to the Charity.

7. EXPENDITURE ON CHARITABLE ACTIVITIES

Grant expenditure is in furtherance of the Charity's objectives.

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|----------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Donations to schools | 165,077 | - | 165,077 | 63,296 |
| Donations to individuals | 108,559 | - | 108,559 | 55,195 |
| Bursaries | 65,000 | - | 65,000 | 65,000 |
| Institute of Education Bursaries | - | - | - | 18,539 |
| Schools Project | 83,727 | - | 83,727 | 46,368 |
| Other | - | 248 | 248 | (2,590) |
| Grant expenditure | <u>422,364</u> | <u>248</u> | <u>422,612</u> | <u>245,808</u> |
| Support costs (Note 5) | 182,560 | - | 182,560 | 168,025 |
| Governance costs (Note 4) | <u>30,454</u> | <u>68</u> | <u>30,522</u> | <u>19,907</u> |
| | <u>635,378</u> | <u>316</u> | <u>635,694</u> | <u>433,740</u> |

The schools Project 2021-22 is described further in the Trustees' Report under the Achievements and Performance section on page 6. Refer to Bursaries under Note 1 Accounting Policies for details of recognition of bursaries.

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

8. STAFF COSTS AND EMOLUMENTS

The Charity does not employ any staff. Any Charity staff referred to elsewhere in this report are employed by Universal Music Holdings Ltd. Their services are donated (see notes 5 and 14) to the Charity, with the aggregate payroll costs borne by the Charity being nil (2021 – nil). Universal Music Group International sets the remuneration of these staff; the Charity does not have any control over this.

An apportionment of the remuneration received by these staff is recognised as a donated service from Universal Music Group International on the Statement of Financial Activities (included within Donated Services and Facilities in note 2). This apportionment is calculated based on the time spent on the work of the Charity. An equal and opposite support cost (note 5) is recognised such that the net impact on the Statement of Financial Activities is nil.

Of these staff, the number whose remuneration for the year fell within the following bands, was:

| | 2022 | 2021 |
|---------------------|----------|----------|
| | No | No |
| £80,000 to £90,000 | - | 1 |
| £90,000 to £100,000 | 1 | - |
| | <u>1</u> | <u>1</u> |

The trustees consider that they, together with the Chief Executive who is the highest paid donated employee, are the key management personnel of the Charity. The trustees (including the Chair) received no emoluments (2021 - £nil). No trustees received reimbursements for travel expenses incurred during the year (2021 - £nil). No trustees incurred out-of-pocket expenses (2021 - £nil) for which they were reimbursed. No member of the board of trustees had a material interest in any contract or transaction with the Charity or its subsidiary in the current or prior year.

9. INVESTMENTS IN SUBSIDIARIES

The Charity has one (2021: one) wholly owned subsidiary, MSFC Limited, which is held at a value of £1 (2021: £1). The company was inactive during 2021/22 and during 2020/21. This subsidiary has not been consolidated and presented as part of group accounts. Please refer to note 1 for further details.

10. OTHER INVESTMENTS

Unrestricted fund:

Movement in market value of listed investments

| | 2022 | 2021 |
|--|------------------|------------------|
| | £ | £ |
| Market value at 1 August | 7,857,718 | 6,522,066 |
| Acquisitions at cost | 740,952 | 2,169,848 |
| Disposals at market value | (1,372,538) | (1,908,038) |
| Net (losses) / gains on revaluations in the year ended 31 July | <u>(315,862)</u> | <u>1,073,842</u> |
| Market value at 31 July | <u>6,910,270</u> | <u>7,857,718</u> |
| Historical cost at 31 July | <u>5,776,447</u> | <u>6,222,191</u> |

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

10. OTHER INVESTMENTS (continued)

Analysis of investments as at 31 July between funds

| | Total Funds 2022 £ | Total Funds 2021 £ |
|-----------------------------------|--------------------------|--------------------------|
| Listed investments | | |
| UK Quoted equities | 2,162,055 | 2,665,781 |
| Non-UK Quoted equities | 3,404,101 | 3,916,298 |
| UK fixed interest | 99,518 | 137,624 |
| Non-UK fixed interest | 92,790 | 91,773 |
| UK - other investments | 588,356 | 450,798 |
| Non-UK - other investments | 563,450 | 595,444 |
| | <u>6,910,270</u> | <u>7,857,718</u> |
| Other investments | | |
| UK Cash held as part of Portfolio | 508,635 | 190,659 |
| | <u>7,418,905</u> | <u>8,048,377</u> |

11. DEBTORS: Amounts falling due within one year

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Amounts owed by group undertakings | 222 | - | 222 | 223 |
| Accrued donation income | - | (0) | (0) | 12,309 |
| | <u>222</u> | <u>(0)</u> | <u>222</u> | <u>12,532</u> |

12. CREDITORS: Amounts falling due within one year

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2022 £ | Total Funds 2021 £ |
|----------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Grant Commitments | | | | |
| Brought forward | 46,219 | - | 46,219 | 127,712 |
| Grants approved | 502,654 | - | 502,654 | 306,580 |
| Grants paid | (455,337) | - | (455,337) | (326,269) |
| Grants unclaimed/cancelled | (73,999) | - | (73,999) | (61,804) |
| Carried forward | <u>19,537</u> | <u>-</u> | <u>19,537</u> | <u>46,219</u> |
| Accruals | - | 248 | 248 | 5,088 |
| Deferred Donation Income | - | - | - | 2,150 |
| | <u>19,537</u> | <u>248</u> | <u>19,785</u> | <u>53,457</u> |

Deferred income above relates to donations in line with the treatment outlined in our accounting policies on page 21.

UNIVERSAL MUSIC UK SOUND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2022

13. FUNDS

| | Balance as at 1 August 2020 | Total Income | Total Expenditure | Gains and losses | Balance as at 31 July 2021 |
|--------------------|-----------------------------------|----------------|----------------------|---------------------|-------------------------------|
| | £ | £ | £ | £ | £ |
| Unrestricted Funds | 7,022,168 | 399,901 | (493,410) | 1,073,842 | 8,002,521 |
| Restricted Funds | 2,043 | 15,785 | 513 | - | 18,341 |
| Total Funds | <u>7,024,251</u> | <u>415,686</u> | <u>(492,897)</u> | <u>1,073,842</u> | <u>8,020,862</u> |

| | Balance as at 1 August 2021 | Total Income | Total Expenditure | Gains and losses | Balance as at 31 July 2022 |
|--------------------|-----------------------------------|----------------|----------------------|---------------------|-------------------------------|
| | £ | £ | £ | £ | £ |
| Unrestricted Funds | 8,002,521 | 414,964 | (696,188) | (315,862) | 7,405,455 |
| Restricted Funds | 18,341 | 2,079 | (316) | - | 20,104 |
| Total Funds | <u>8,020,862</u> | <u>417,063</u> | <u>(696,504)</u> | <u>(315,862)</u> | <u>7,425,559</u> |

The restricted fund was set up in 2018-19 to deliver the Decca Bursary, as described in the trustees' report.

14. RELATED PARTY TRANSACTIONS

Janie Orr, a Director of MSFC Limited, is an employee of Universal Music Holdings Limited.

The trustees do not receive remuneration for their services. Further details are given in note 8 of the accounts.

There is a rolling three-year Service Agreement between the Charity and UMGI, whereby UMGI agrees to provide, on a free of charge basis, a Chief Executive and support staff and the necessary offices for the Charity, as well as website hosting and data processing, insurance and various accounting, administrative and other support services. The remuneration of key personnel is therefore set by UMGI alone, not by the Charity. The insurances provided through UMGI include Directors' and Officers' insurance for the trustees. UMGI also generously donates £10,000 to the Foundation annually.

During 2018/19 the Foundation entered into a formal agreement with Decca Records, part of Universal Music Group, for the creation, operation and administration of the Decca Bursary. Adam Barker, Chair of Universal Music UK Sound Foundation is also a Director of Decca Music Group Ltd.

15. POST BALANCE SHEET EVENTS

The market value of the Foundation's investments fell to the signing date in March 2023; their value stood at £7,208,226 on 28 February 2023, representing a decrease of 2.8% on the year-end valuation of £7,418,905 (see note 10). The Charity has no immediate requirement to use these investments. There have been no other post balance sheet events which would materially impact the financial statements as presented here.

16. LIABILITY OF MEMBERS

Universal Music UK Sound Foundation is a company limited by guarantee and does not have share capital. It is registered in England and Wales (charity No.1104027, company registration number: 05062390) and its registered office is 4 Pancras Square London N1C 4AG. In the event of Universal Music UK Sound Foundation being wound up the liability of each of the Members is limited to £1.