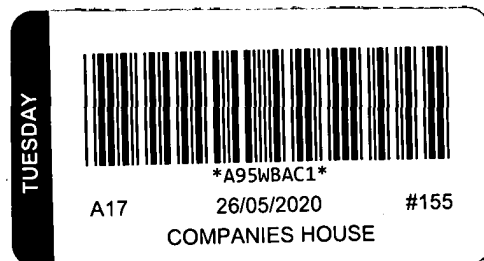


COMPANY REGISTRATION NUMBER 00950138

**UNIVERSAL MUSIC OPERATIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



UNIVERSAL MUSIC OPERATIONS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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UNIVERSAL MUSIC OPERATIONS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2019

THE BOARD OF DIRECTORS

DS Joseph
AM Barker
DRJ Sharpe

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

4 Pancras Square
London
N1C 4AG

AUDITOR

Deloitte LLP
Statutory Auditor
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ
United Kingdom

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was to market and distribute recorded music and videos.

The result of the company for the year ended 31 December 2019 and its position as at that date are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 14, 15 and 16 respectively. The result and position of the company were in line with directors' expectations.

RESULTS AND DIVIDENDS

The company's loss for the financial year was £20,760,000 (2018 - loss £6,492,000). The retained loss for the year has been transferred to reserves. The directors do not recommend a dividend payment for the year ended 31 December 2019 (2018 - £Nil).

KEY PERFORMANCE INDICATORS

The company uses a variety of performance indicators to review historical performance and plan for the future. The key indicators are turnover, gross profit margin, and net assets, as described below.

Turnover

Turnover levels increased to £434,135,000 in 2019, compared to £388,241,000 in the previous year. This growth was driven by increased demand for streaming services, as well as the timing of new releases. The directors consider that the outlook for future years is positive as the expectation is for continued growth in demand for streaming services.

Gross profit margin

The company's gross profit margin decreased from 32.0% to 29.7% this year. The slight decline in margin was due to an increase in manufacturing costs, combined with some one off costs in the current year.

Result before taxation

The company's loss before taxation was £22,200,000, compared to £8,758,000 in the prior year. However this year a write off on an intercompany balance adversely impacted the result by £12,215,000. Furthermore the directors note that the company moved into new premises part way through 2018, and have incurred a full year of increased property related costs in 2019, which has contributed an additional £9,981,000 of administrative expenditure.

Net assets

The company's net asset position at 31 December 2019 remains strong at £41,489,000 (2018 - £61,668,000). The reduction compared to the prior year was driven by the overall loss for the financial year. However the directors note that the loss for the year was due to intercompany interest expense, together with an intercompany balance write off of £12,215,000 this year.

CORPORATE GOVERNANCE

The company complies with the Universal Music Group corporate governance principles. The directors review on an ongoing basis these arrangements in light of any corporate governance legislation and guidance released by the government.

SECTION 172 STATEMENT

Under section 172 of the Companies Act 2006, the board of directors of a company must act to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the factors noted in section 172(1).

The board constantly assesses the implications of decisions made, in terms of the both the potential long-term consequences for the company, together with the impact on our stakeholders, including shareholders, artists, employees, suppliers and customers, the wider community and the environment.

The company is a member of the Universal Music UK group. In making this statement the directors are drawing upon the relevant activities of the group.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

SECTION 172 STATEMENT (continued)

Shareholders

The company is majority owned by Vivendi SE, a company listed in France. The board regularly communicates with Vivendi regarding strategy and performance through a number of different channels:

- Regular and timely management accounts;
- Detailed and accurate financial budgets and forecasts;
- Collaboration as part of the Vivendi cash management policy; and
- Consultation and approval of any significant investment and acquisition decisions.

Artists

The board recognises that the success of our artists is key to maintaining Universal Music's position as the UK's leading music company. Our A&R teams continue to work with their existing artists to create great new music, whilst also identifying and nurturing emerging artists.

Some notable success and achievements over the last year include:

- Winning six out of the ten categories at the BRIT Awards 2020;
- Winning the BRITs Rising Star award;
- Winning the Mercury Prize 2019; and
- Winning Major Label of the Year at the MBW A&R Awards.

The board is mindful of the impact of Covid-19 on our artists and the company is working to support them wherever possible. We are offering various forms of assistance (such as interest-free royalty advances and fee waivers, among others) to help qualifying artists and songwriters affected by Covid-19. We are also providing our artists with tools and platforms to reach fans and generate income when touring and other live appearances are not possible.

Employee engagement

The board understands that Universal Music UK's staff are right at the heart of everything we do as a business, and the importance of an engaged and dynamic workforce to ensure we can respond to the changing musical landscape.

Our Learning and Development team continues to provide high quality training opportunities for employees:

- Music Business Essentials – a series of workshops covering a range of different music industry topics;
- Lunch and learn – focussed sessions on specific topics designed to fit into the working day;
- Mindfulness courses and health screening designed to help employees maintain work life balance; and
- Bespoke individual development plans and manager training.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

SECTION 172 STATEMENT (continued)

Employee engagement (continued)

This year a key area of focus was neurodiversity in the workplace. We ran a number of sessions and workshops for staff around the subject, and in January 2020 rolled out manager sessions on neurodiversity.

In February 2020 Universal Music UK published the first handbook for embracing neurodiversity in the creative industries. The handbook, titled Creative Differences, explores the experiences of people with specific facets of neurodiversity and highlights that while nearly all creative companies recognise the value of neurodiversity in the workplace only very few have ND-friendly policies and practices in place. It provides a range of practical solutions companies can adopt to make their workforces more accessible in areas including recruitment, mentorship and career progression.

Covid-19 has of course had a huge impact on Universal Music employees, who are now all working from home whilst our headquarters are closed due to the lockdown restrictions. The board is incredibly proud of the resilience, teamwork and creativity that our teams have shown in adapting to the new circumstances. The board is committed to providing all the support employees need to deal with the unique challenges this brings, and we are currently conducting surveys to get the views of all employees regarding any decisions on our next steps.

Business relationships - suppliers and customers

The board considers that our relationship with all suppliers and customers is critical to the day to day running of our operations.

Our accounts payable team continues to work closely with suppliers to ensure that the payment process runs smoothly, and in 2019 we reduced average time to pay invoices to 45 days, down from 57 days in the prior year. We are aware that Covid-19 has had a significant impact on many of our suppliers and we have further accelerated our payment process since March 2020 to provide them with real financial support.

For customers we have similarly noted the adverse impact of Covid-19 and wherever possible have looked to extend their credit terms, or facilitate payment holidays, whilst at the same time managing the company's credit risk. We have also worked closely with our customers over the past year to launch our customer portal which will enable them to self-manage their accounts and orders, as well as significantly reducing the amount of paper that flows between our businesses.

The community

The board believes that music can play a vital role in bringing people together, working for positive change within communities. Universal Music UK supports a number of different causes and projects including:

- Charitable work through the Universal Music UK Sound Foundation. This year it celebrated its 21st anniversary and reached a landmark £8 million in donations, grants and bursaries aimed at improving access to music education for young people.
- Role as the UK charity partner of Playlist for Life (PFL), which teaches skills to help family members and care staff find the right music for people with dementia, supporting in donations as well as advice on the technical and rights issues around making music available to people living with dementia.
- Continued support for East London Arts & Music (ELAM), the free school for 16-19-year-olds set up in 2014. This year we took 38 trainees for work-experience and provided three members of staff as mentors. We also provided masterclasses from our marketing and A&R teams, and career advice from our HR team.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

SECTION 172 STATEMENT (continued)

The community (continued)

Universal Music UK has also used its new space at 4 Pancras Square to host a number of events:

- The inaugural Universal Music x Pride event, an evening featuring music and special guests for our LGBTQ+ community and allies, which saw the boardroom area decorated with the Pride colours.
- A Love Music Hate Racism event, with a number of our artists appearing to help launch the campaign via a video in which they share their own inspirational personal stories around culture, identity and discrimination.
- Black History Month celebrations – numerous events curated by a team from the business of all ages and backgrounds, which included a series of talks, live performances, curated playlists, artist takeovers, as well as themed café menus.

Finally, in response to the Covid-19 impact on the wider community we have launched All Together Now: Stay Connected, expanding our longstanding philanthropic program to support those in the music community most deeply impacted by the virus. This includes direct financial support to organisations such as MusiCares' Covid-19 Relief Fund and Help Musicians UK.

The environment

In 2018 Universal Music UK moved into new headquarters at 4 Pancras Square certified as 'Outstanding' by BREEAM, reflecting the board's desire to make the business as environmentally friendly as possible.

Team Green is the employee led group which works to achieve this goal through numerous initiatives. This year Universal Music UK played a key role in the launch of Music Declares Emergency, a campaign created to enable the UK music industry to declare a Climate and Ecological Emergency, to accelerate collaboration and ambition in order to meet critical targets and to call on government to use their policy and investment tools to enact the systemic change needed to help us to reach those goals.

In February 2020, Universal Music hosted a roundtable to discuss the launch of the new Green Riders campaign which calls on artists to making touring greener.

Team Green is also collaborating with our commercial team to ensure industry leading standards when it comes to sustainable packaging.

Maintaining a reputation for high standards of business conduct

The company has a code of conduct which is certified annually by all employees to encourage ethical behaviour as well as to highlight possible ethical threats which could be faced by employees.

The company maintains high standards of expected conduct for its employees and has clearly defined procedures for its employees to report any concerns internally. This encompasses a wide variety of areas of behaviour including anti-bribery training, commercial sensitivity and appropriate workplace conduct among others.

The directors are acutely aware of the high profile nature of the Universal Music brand and make every effort to both protect this reputation and live up to its standards.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company uses a variety of financial instruments including cash, equity and other instruments such as artist advances, trade receivables and trade payables that arise directly from its operations.

The directors are of the view that the main risks arising from the company's financial instruments are exchange rate risk, interest rate risk, liquidity risk and credit risk, as summarised below:

Exchange rate risk

Exchange rate fluctuation presents a risk because some sales are priced in overseas currencies, and certain balances are denominated in currencies other than Sterling. The directors do not consider that the potential downside is significant enough to require hedging but continue to monitor the potential risk.

Interest rate risk

The company does not have any significant external borrowings and as such the directors consider the related interest rate risk to be minimal. The interest rate risk related to the company's defined benefit pension scheme is also considered to be minimal following an insured buy-in process completed in 2017.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The company manages its financial risk by ensuring liquidity is sufficient to meet future needs, and that sufficient funding is in place before any new commitments are entered into. The cash position and cash flow forecasts are monitored by management on a regular basis.

Credit risk

The principal credit risk arises from trade debtors. Management approve credit terms for all new customers, and regularly review the credit position of existing accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is faced with similar risks and uncertainties as other companies operating in the recorded music business, broadly:

- competition from major and independent record companies that market and distribute recorded music and video;
- competition from alternative entertainment products;
- the threat of a devalued product due to piracy and the illegal use of music;
- uncertainty as to whether the growth in the subscription services market will continue in the longer term; and
- interest rate fluctuations.

All risks and uncertainties are regularly monitored by the directors, including the following:

Brexit

On 31 January 2020 the United Kingdom left the European Union (EU) and is in the process of negotiating a future relationship with the EU.

As at the signing date the nature of this relationship and its implications for the company are not clear.

The directors of the company continue to monitor the possible impact that the outcomes of this negotiation may have on the company.

The directors have put in place scenario planning which will allow the company to continue to operate in any of the feasible scenarios including leaving the EU without a deal.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

COVID-19

On 23 March 2020, the UK government announced lockdown restrictions as a result of Covid-19. The directors note that Covid-19 will adversely affect performance in 2020. In particular the lockdown and social distancing measures introduced by the government directly impact sales of physical product and certain ancillary revenue streams such as broadcast and live income.

However the directors consider that the company is well placed to deal with these challenges due to its growing digital and direct-to-customer revenue streams, driven by the depth of its artist roster and its extensive back catalogue of repertoire. These revenue streams are expected to be resilient to the impacts of Covid-19. Furthermore the inevitable consequence of the current situation is that there will be cost savings in areas such as marketing, travel, tickets and entertainment.

Climate change

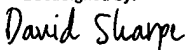
At this stage the directors do not consider that the effects of climate change pose a significant risk to the company's operations.

FUTURE DEVELOPMENTS

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

This report was approved by the Board and signed on their behalf.

DocuSigned by:


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DRJ Sharpe
Director

Date: 21 May 2020

UNIVERSAL MUSIC OPERATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2019.

The directors have included the following matters within the strategic report, otherwise required to be disclosed in the directors' report, as they are considered to be of strategic importance to the company.

- Financial risk management objectives and policies; and
- Future developments.

DIRECTORS

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

DS Joseph
AM Barker
DRJ Sharpe

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

POLICY ON THE PAYMENT OF CREDITORS

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

DONATIONS

During the year the company made the following contributions:

	2019 £	2018 £
Charitable donations	279,962	320,662

GOING CONCERN

The company's business activities, together with the factors likely to affect future developments, its financial exposures and its risk exposures are described in the strategic report. After making enquiries and reviewing company cash flow forecasts, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future, and at least 12 months from the date the financial statements are authorised for issue.

Furthermore, the company has received confirmation from Vivendi SE, the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period of not less than one year from the date of approval of these financial statements.

Having regard to the company's cash flow forecasts, and the intention and ability of Vivendi SE to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net current liabilities at 31 December 2019.

UNIVERSAL MUSIC OPERATIONS LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

AUDITOR

In so far as each of the directors at the date of approving this report are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, Deloitte LLP will be deemed to be reappointed and will therefore continue in office.

UNIVERSAL MUSIC OPERATIONS LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

POST BALANCE SHEET EVENTS

On 23 March 2020, the UK government announced lockdown restrictions as a result of Covid-19. The directors note that Covid-19 will adversely affect performance in 2020. In particular the lockdown and social distancing measures introduced by the government directly impact sales of physical product and certain ancillary revenue streams such as broadcast and live income.

However the directors consider that the company is well placed to deal with these challenges due to its growing digital and direct-to-customer revenue streams, driven by the depth of its artist roster and its extensive back catalogue of repertoire. These revenue streams are expected to be resilient to the impacts of Covid-19. Furthermore the inevitable consequence of the current situation is that there will be cost savings in areas such as marketing, travel, tickets and entertainment.

This report was approved by the Board and signed on their behalf.

DocuSigned by:

Bola Abioye

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A Abioye

Company Secretary

Date: 21 May 2020

Company Registration Number: 00950138

UNIVERSAL MUSIC OPERATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC OPERATIONS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Universal Music Operations Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 27.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

UNIVERSAL MUSIC OPERATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC OPERATIONS LIMITED (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

UNIVERSAL MUSIC OPERATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC OPERATIONS LIMITED (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Matters on which we are required to report by exception

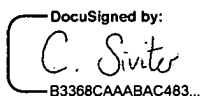
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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Claire Siviter, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor, Southampton, United Kingdom

Date: 21 May 2020

Company Registration Number: 00950138

UNIVERSAL MUSIC OPERATIONS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
TURNOVER	4	434,135	388,241
Cost of sales		(305,135)	(263,708)
GROSS PROFIT		129,000	124,533
Distribution costs		(11,352)	(9,837)
Administrative expenses		(113,450)	(93,354)
OPERATING PROFIT	5	4,198	21,342
Income from participating interests	8	2,347	2,000
Interest receivable and similar income	9	9,138	19,247
Amounts written off of intercompany balances		(12,215)	-
Interest payable and similar charges	10	(25,668)	(51,347)
LOSS BEFORE TAXATION		(22,200)	(8,758)
Tax on loss	11	1,440	2,266
LOSS FOR THE FINANCIAL YEAR		(20,760)	(6,492)
Other comprehensive income/(loss)			
Remeasurement of defined pension scheme		700	(2,100)
Tax on other comprehensive loss		(119)	357
TOTAL COMPREHENSIVE LOSS		(20,179)	(8,235)

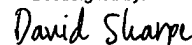
All of the activities of the company are classed as continuing operations.

The notes on pages 17 to 38 form part of these financial statements

UNIVERSAL MUSIC OPERATIONS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	12	77,914	-
Property, plant & equipment	13	57,907	60,276
Investments	14	19,722	17,221
		<u>155,543</u>	<u>77,497</u>
CURRENT ASSETS			
Inventories	15	3,717	2,739
Debtors: Amounts falling due within one year	16	2,029,726	2,204,353
		<u>2,033,443</u>	<u>2,207,092</u>
CREDITORS: Amounts falling due within one year	17	<u>(2,112,462)</u>	<u>(2,185,153)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(79,019)</u>	<u>21,939</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>76,524</u>	<u>99,436</u>
CREDITORS: Amounts falling due after more than one year	18	-	(733)
PROVISIONS FOR LIABILITIES			
Deferred taxation	19	(4,927)	(2,691)
Provisions for liabilities and charges	20	(28,617)	(32,684)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>42,980</u>	<u>63,328</u>
Defined benefit pension scheme liability	21	<u>(1,491)</u>	<u>(1,660)</u>
NET ASSETS		<u>41,489</u>	<u>61,668</u>
CAPITAL AND RESERVES			
Called-up share capital	25	15	15
Profit and loss account		<u>41,474</u>	<u>61,653</u>
EQUITY SHAREHOLDERS' FUNDS		<u>41,489</u>	<u>61,668</u>

These accounts were approved by the board of directors and authorised for issue on 21 May 2020 and are signed on their behalf by:

DocuSigned by:

8DB9DA50B7774E0...
DRJ Sharpe
Director

Company Registration Number : 00950138

The notes on pages 17 to 38 form part of these financial statements

UNIVERSAL MUSIC OPERATIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Called-up Share Capital £'000	Profit & Loss Account £'000	Total Shareholders' Funds £'000
Balance brought forward at 1 January 2018		15	69,888	69,903
Total comprehensive loss for the year				
Loss for the year		-	(6,492)	(6,492)
Other comprehensive loss	21	-	(1,743)	(1,743)
Balance at 1 January 2019		15	61,653	61,668
Total comprehensive loss for the year				
Loss for the year		-	(20,760)	(20,760)
Other comprehensive income	21	-	581	581
Balance carried forward at 31 December 2019		15	41,474	41,489

The notes on pages 17 to 38 form part of these financial statements

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

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

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 2 and 7.

2. STATEMENT OF COMPLIANCE

The company's financial statements have been prepared in compliance 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.

3. ACCOUNTING POLICIES

Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling, which is the functional currency of the company, and have been rounded to the nearest £'000.

FRS 102 - Qualifying exemptions

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

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

This information is included in the consolidated financial statements of the company's parent undertaking, Vivendi SE, copies of which can be obtained from 42 Avenue de Friedland, 75380 Paris, Cedex 08, France.

Other qualifying exemptions

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

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Going concern

The company's business activities, together with the factors likely to affect future developments, its financial exposures and its risk exposures are described in the strategic report. After making enquiries and reviewing company cash flow forecasts, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future, and at least 12 months from the date the financial statements are authorised for issue.

Furthermore, the company has received confirmation from Vivendi SE, the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period of not less than one year from the date of approval of these financial statements.

Having regard to the company's cash flow forecasts, and the intention and ability of Vivendi SE to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net current liabilities at 31 December 2019.

Turnover

Turnover comprises the value of sales of physical goods, digital products, royalty income and services rendered during the year. It is stated net of VAT, discounts and returns.

Turnover from sales of goods is recognised when products are despatched, at which point the significant risks and rewards are considered to be transferred to the customer. Turnover relating to digital products and royalty income is recognised when the products are sold, or if it cannot be reliably estimated, on a receipts basis. Turnover relating to services rendered is recognised once the services have been performed. Royalties payable are charged against the relevant income of the same period.

Income from participating interest

Income from participating interest is recognised when distributions are received.

Intangible assets

Intangible assets represent catalogue assets and are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives are as follows:

Catalogue assets	5% straight line
------------------	------------------

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

Intangible assets are tested for impairment in accordance with FRS 102, Section 27 Impairment of assets, when there is an indication that goodwill or an intangible asset may be impaired.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

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

Leasehold Improvements	over the life of the lease
Plant & Machinery	2% - 25% straight line

Assets under construction are not depreciated until construction is completed and the asset is ready for use.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial instruments (continued)

Financial assets and liabilities

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 financing 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.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Investments

Investments in subsidiaries are carried at cost less impairment.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Advances

Advances to unproven artists, where no discernible track record of activity is evidenced, are expensed. Advances to proven artists are written down to the estimated amount that will be recoverable from future royalty payments to the artist. Net advances are classified as falling due within one year, although elements may not be recovered until more than one year.

Financial instruments

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Impairment (excluding inventories and deferred tax assets)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Employee benefits

Pension costs and other post-retirement benefits

The company participates in a pension scheme in the UK, ultimately operated by Vivendi SE; the Universal Music Group Pension Scheme ("UMGPS" or "the Scheme"). The Scheme is a mixed defined benefit and defined contribution Scheme and operates on a pre-funded basis.

In respect of employees of the company, contributions to the defined benefit section are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Scheme. The defined benefit section of the Scheme closed to future accrual from 31 March 2011.

With effect from 1 April 2011 defined contribution accrual is under a contract-based Group Personal Pension ("GPP") arrangement operated by Standard Life. In respect of employees of the company, contributions to the GPP are charged to the statement of comprehensive income as they become payable.

FRS 102 requires that the Scheme's underlying assets and liabilities can be allocated to the entities sponsoring the Scheme. This allocation could not be done on a consistent and reasonable basis for Universal Music Operations Limited alone.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Leases

The company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Interest receivable and Interest payable

Interest receivable and similar income include interest receivable on funds invested.

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

Interest receivable and interest payable are recognised in the statement of comprehensive income as they accrue.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised through profit or loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associated and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign exchange differences arising on translation are recognised through profit or loss in the statement of comprehensive income.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

The directors may make judgements in the application of the accounting policies above that have a significant impact on the amounts recognised, and may make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the company's accounting policies

The directors have concluded there are no critical judgements to disclose.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangible assets

The directors assess intangible assets for indicators of impairment at each reporting date. This involves reviewing recent financial performance as well as financial forecasts, the preparation of which involves an element of estimation. The carrying value of the assets potentially subject to this uncertainty is disclosed in note 11.

Intangible and Tangible assets - useful economic lives

The useful lives of intangible assets are determined by management at the time they are acquired, and then reassessed for reasonableness at each reporting date. Future developments or changes in their use may impact the lives in future periods.

Artist royalty provisions

The company holds a provision for artist royalty audits as disclosed in note 20. The value of the provision is an estimate and the actual costs and timing of cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

Dilapidation provisions

The company holds a provision for dilapidations as disclosed in note 20. The value of the provision is an estimate and the actual costs and timing of cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

Defined benefit pension valuation

The company participates in a defined benefit pension scheme as disclosed in note 21. A pension valuation has been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality.

Artist advance provisions

The company makes provisions against artist advances based on an assessment of the likelihood of recovering the balance through future artist royalties, which involves an element of estimation. The actual artist royalties may differ from these estimates.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

4. TURNOVER

Turnover by activity is as follows:

	2019 £'000	2018 £'000
Product sales	235,312	210,981
Royalties	198,823	177,260
	<u>434,135</u>	<u>388,241</u>

Turnover by destination is as follows:

	2019 £'000	2018 £'000
United Kingdom	280,007	268,355
Rest of Europe	56,922	44,708
United States of America	64,384	49,466
Rest of World	32,822	25,712
	<u>434,135</u>	<u>388,241</u>

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of owned fixed assets	5,175	1,280
Auditor's remuneration	301	217
Non audit fees	41	41
Cost of inventories recognised as an expense	15,252	14,639
Impairment of inventories	1,674	2,860
Operating lease costs:		
- Land and buildings	12,583	7,853
Net (gain)/loss on foreign currency translation	(347)	534

The company also incurred costs in respect of audit services on behalf of other group entities amounting to £99,400 (2018 - £119,500). Non audit fees of £41,000 (2018 - £41,000) were incurred relating to interim review reporting.

6. PARTICULARS OF EMPLOYEES

The company had no employees during the year ended 31 December 2019 (2018 - none).

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

7. DIRECTORS' REMUNERATION

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

	2019 £'000	2018 £'000
Remuneration receivable	4,512	4,313
Company pension contributions to money purchase schemes	10	-
	<u>4,522</u>	<u>4,313</u>

The directors' emoluments above were paid by a fellow group company of the Universal Music Group.

Retirement benefits are accruing to one director (2018 - one) under the defined contribution section of the Universal Music Master Trust (the "Master Trust") arrangement.

Two directors (2018 - two) were not members of any retirement benefit schemes.

The directors remunerated by the company do not have any benefits accruing under a defined benefit pension scheme.

Remuneration of highest paid director:

	2019 £'000	2018 £'000
Total remuneration (excluding pension contributions)	<u>2,954</u>	<u>2,856</u>

The directors, including the highest paid director did not exercise any share options in the year and had no shares receivable under the group's long-term performance scheme (2018 - none). The amounts receivable by the directors under the long-term performance scheme were £nil (2018 - £nil).

8. INCOME FROM PARTICIPATING INTERESTS

	2019 £'000	2018 £'000
Income from participating interests	<u>2,347</u>	<u>2,000</u>

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Interest receivable from group undertakings	9,138	8,937
Other similar income receivable	-	10,310
	<u>9,138</u>	<u>19,247</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
Interest on pension obligation	3,100	2,800
Expected return on pension scheme assets	(3,000)	(2,800)
Interest payable to group undertakings	25,568	51,347
	<u>25,668</u>	<u>51,347</u>

11. TAX ON LOSS

(a) Analysis of tax credit in the year

	2019 £'000	2018 £'000
Current tax:		
UK Taxation		
In respect of the year		
Withholding tax	-	151
Adjustments in respect of previous years	1,915	(1,135)
Group relief receivable for losses surrendered to other group undertakings	(5,568)	(5,420)
Double taxation relief	-	(151)
Foreign tax on current income for the year	66	151
Total current tax	<u>(3,587)</u>	<u>(6,404)</u>
Deferred tax:		
Origination and reversal of timing differences	2,299	3,585
Adjustments in respect of prior periods	(152)	553
Total deferred tax	<u>2,147</u>	<u>4,138</u>
Tax on loss on ordinary activities	<u>(1,440)</u>	<u>(2,266)</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

11. TAX ON LOSS (continued)

(b) Factors affecting tax credit

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%).

Under the Finance (No.2) Act 2015, the main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2017. A further reduction to 17% from 1 April 2020 was also enacted on 15 September 2016 by virtue of the Finance Act 2016 s46. However, as announced in the Budget on 11 March 2020, the corporation tax main rate will not reduce to 17% and will remain at 19%. Deferred tax assets and liabilities are measured at the rate that is enacted and expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	2019 £'000	2018 £'000
Loss before taxation	<u>(22,200)</u>	<u>(8,758)</u>
Loss at the standard rate of UK Corporation tax of 19.00% (2018 - 19.00%)	(4,218)	(1,664)
Expenses not deductible for tax purposes	1,504	(173)
Adjustments in respect of previous periods	1,763	(577)
Double tax relief	-	(151)
Foreign tax suffered in the period	66	151
Impact of statutory rate change	(270)	(380)
Movement in timing differences	<u>(285)</u>	<u>528</u>
Current tax credit for the financial year	<u>(1,440)</u>	<u>(2,266)</u>

12. INTANGIBLE FIXED ASSETS

	Catalogue Assets £'000	Total £'000
COST		
At 1 January 2019	-	-
Additions	78,598	78,598
At 31 December 2019	<u>78,598</u>	<u>78,598</u>
AMORTISATION		
At 1 January 2019	-	-
Charge for the year	(684)	(684)
At 31 December 2019	<u>(684)</u>	<u>(684)</u>
NET BOOK VALUE		
At 31 December 2019	<u>77,914</u>	<u>77,914</u>
At 31 December 2018	<u>-</u>	<u>-</u>

During the year the company acquired an interest in a catalogue at a cost of £78,598,000. The catalogue asset is being amortised over a 20 year period.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

13. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements £'000	Plant & Machinery £'000	Total £'000
COST			
At 1 January 2019	58,195	6,168	64,363
Additions	735	2,072	2,807
Disposals	-	(1)	(1)
At 31 December 2019	58,930	8,239	67,169
DEPRECIATION			
At 1 January 2019	1,020	3,067	4,087
Charge for the period	4,254	921	5,175
At 31 December 2019	5,274	3,988	9,262
NET BOOK VALUE			
At 31 December 2019	53,656	4,251	57,907
At 31 December 2018	57,175	3,101	60,276

14. INVESTMENTS

	Shares in Subsidiaries £'000
COST	
At 1 January 2019	34,403
Additions	2,501
At 31 December 2019	36,904
PROVISION FOR IMPAIRMENT	
At 1 January 2019 and at 31 December 2019	17,182
NET BOOK VALUE	
At 31 December 2019	19,722
At 31 December 2018	17,221

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENTS (continued)

Subsidiary Undertakings

The subsidiaries of Universal Music Operations Limited as at 31 December 2019 are set out below. All of the subsidiaries were registered in England & Wales and have a registered office address of 4 Pancras Square, London N1C 4AG.

Name	Shareholding type	%	Principal activity
Fiction Records Limited	Ordinary	100%	Dormant
Serious Records Ltd	Ordinary	100%	Dormant
Universal Music (WT) Limited	Ordinary	100%	Marketing and distribution of recorded music
Turnfirst Limited	Ordinary	100%	Artist management
Composed Technology International Limited	Ordinary	80%	Dormant
Naughty Records Limited	Ordinary	51%	Marketing and distribution of recorded music
The Wild Card Label Limited	Ordinary	100%	Dormant
Vice Versa Limited	Ordinary	100%	Dormant
Closer Recordings Limited	Ordinary	51%	Marketing and distribution of recorded music
RG2016 Limited	Ordinary	100%	Dormant
Stiff Records Limited	Ordinary	100%	Marketing and distribution of recorded music
ZTT Records Limited	Ordinary	100%	Marketing and distribution of recorded music
All Around The World Limited	Ordinary	100%	TV broadcasting and recorded music

The company is exempt from disclosure of the aggregate amount of capital and reserves, and profit or loss for each subsidiary undertaking by virtue of section 400 of the Companies Act 2006.

15. INVENTORIES

	2019	2018
	£'000	£'000
Finished goods	3,717	2,739

The difference between the purchase price of inventories and their replacement cost is not material.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

16. DEBTORS: Amounts due within one year

	2019 £'000	2018 £'000
Trade debtors	16,531	20,597
Amounts due from group undertakings	1,884,703	2,054,955
Corporation tax	496	496
VAT recoverable	7,079	2,304
Other debtors	68,031	42,964
Prepayments	3,872	2,848
Accrued income	49,014	80,189
	<u>2,029,726</u>	<u>2,204,353</u>

All amounts due from group undertakings are unsecured and repayable on demand. Interest accrues on these amounts at 1 month LIBOR plus 0.1%.

At 31 December 2019 £32,995,000 (2018 - £18,763,000) is included within other debtors relating to advances due in more than 1 year.

17. CREDITORS: Amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	3,415	207
Trade creditors	138,314	126,968
Amounts owed to group undertakings	1,899,660	1,984,203
Other taxation and social security	3,526	3,461
Other creditors	592	3,020
Accruals	62,837	62,317
Deferred income	4,118	4,977
	<u>2,112,462</u>	<u>2,185,153</u>

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

- £211,241,869 (2018 - £244,425,720) in respect of an intercompany balance with a fellow group undertaking, Universal Music Group Treasury SA. The interest rate on the loan is 1 year LIBOR plus 3%. The loan is unsecured and repayable on demand.

All other amounts owed to group undertakings are unsecured and repayable on demand. Interest accrues on these amounts at 1 month LIBOR plus 0.1%.

18. CREDITORS: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred consideration	-	733
	<u>-</u>	<u>733</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

19. DEFERRED TAXATION

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

	2019 £'000	2018 £'000
Balance brought forward	2,691	(1,094)
Balance brought forward deferred tax on pension liability	340	340
Exclude deferred tax asset included in defined benefit pension scheme liability note	(309)	(340)
Charge to deferred taxation on defined benefit pension scheme movement in the year	(31)	-
Deferred taxation on ordinary activities account movement arising during the year	2,236	3,785
	<u>4,927</u>	<u>2,691</u>
Balance carried forward	<u>4,927</u>	<u>2,691</u>

Deferred taxation consists of the tax effect of timing differences in respect of:

	2019 £'000	2018 £'000
Excess of depreciation over taxation allowances	565	194
Other timing differences	4,362	2,497
	<u>4,927</u>	<u>2,691</u>

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

	2019 £'000	2018 £'000
Included in the statement of financial position	4,927	2,691
Included in defined benefit pension scheme liability (note 21)	(309)	(340)
	<u>4,618</u>	<u>2,351</u>

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Artist Royalties £'000	Other Provisions £'000	Total £'000
At 1 January 2019	20,030	12,654	32,684
Movement arising during the year	(5,322)	1,255	(4,067)
At 31 December 2019	14,708	13,909	28,617

Provision is made against the outcome of artist royalty audits ongoing at the reporting date, and against additional artist royalty obligations anticipated by management at the reporting date, resulting from a past event likely to give rise to the transfer of economic benefit.

Until such time as a formal audit notification is received, the liability is not expected to crystallise within 12 months of the reporting date and is therefore classified as a non current provision.

Other provisions includes property dilapidations, restructuring provisions and other employee related provisions. At present, the timing of when these liabilities will crystallise is not certain.

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS

Vivendi SE operates the UMGPS, formerly known as the Vivendi Universal Pension Scheme, in the United Kingdom. It is designed to provide retirement benefits for certain employees. This is the most significant scheme operated by Vivendi SE in the UK and the principal company of the Scheme is Universal Music Operations Limited. The Scheme is independent of the group and is trustee administered. The Scheme has been approved by HM Revenue & Customs for taxation purposes.

The Scheme is a mixed defined benefit and defined contribution scheme.

Prior to 13 November 2008, each defined benefit member of the Scheme was subject to one of two different benefit structures. Members with a Universal benefit structure consisted of current and former Universal Music employees and former Vivendi Universal Entertainment ("VUE") employees. Members with a Seagram Wines and Spirits Group ("SWSG") benefit structure consisted of former SWSG employees. The underlying assets and liabilities of the Scheme allocated to the Universal Music members were accounted for within Universal Music Operations Limited and the underlying assets and liabilities of the Scheme allocated to the SWSG and VUE members were accounted for within Centenary Holdings Limited ("CHL"). Both companies are fellow group undertakings.

On 13 November 2008 the pensioner members of the Scheme transferred to the Vivendi 2008 Pensioners' Scheme ("VPS"), which is accounted for in its entirety within CHL. The underlying liabilities allocated to these members and related assets were transferred at the same point in time and the transfer was accounted for as a settlement within UMGPS. Consequently, from 13 November 2008, the company no longer holds any liability in respect of the transferring pensioner members.

Following the transfer of pensioner members the underlying assets and liabilities of the Scheme allocated to the Universal Music members at 13 November 2008 remain accounted for within Universal Music Operations Limited.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

FRS 102 requires that a pension scheme's underlying assets and liabilities can be allocated to the entities sponsoring the scheme. This allocation could not be done on a consistent and reasonable basis for Universal Music Operations Limited alone.

Formal actuarial valuations are carried out on at least a triennial basis and updated at each reporting year end. A full formal actuarial valuation was carried out as at 5 April 2015 by Mercer Limited as independent, professionally qualified actuaries to the Scheme.

During 2017 the company completed an insured buy-in whereby the majority of the liabilities for remaining members were fully secured. This resulted in an asset loss equal to the excess of the purchase price over the liability measured on the accounting basis which was recognised in the charge to other comprehensive income in 2017.

In 2018 further GMP equalisation and reconciliation exercises related to the insured buy-in were completed, which resulted in further experience adjustments recognised in other comprehensive income.

During 2019 the company has committed to a buy-out process which is likely to be completed in 2020.

The results of the 5 April 2015 valuation have been updated to 31 December 2019 for FRS 102 purposes. The valuation update showed that the deficit reduced to £1,800,000, with the market value of the assets being £121,900,000 and the liabilities £123,700,000.

The company's total contributions amounted to £Nil for the year ended 31 December 2019 (2018 - £3,000,000).

Movements in the present value of defined benefit obligation:

	2019 £'000	2018 £'000
Defined benefit obligation at end of prior year	113,000	115,600
Costs (excluding interest):		
Interest expense	3,100	2,800
Cash flows:		
Benefit payment from plan assets	(2,700)	(3,100)
Remeasurements:		
Effect of changes in assumptions	12,100	(4,800)
Effect of experience adjustments	(1,800)	2,500
Defined benefit obligation at end of year	<u>123,700</u>	<u>113,000</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

Movements in the present value of fair value of plan assets:

	2019	2018
	£'000	£'000
Fair value of plan assets at end of prior year	111,000	113,600
Interest income	3,000	2,800
Cash flows:		
Total employer contribution	-	3,000
Benefit payments from plan assets	(2,700)	(3,100)
Administrative expenses paid from plan assets	(400)	(900)
Remeasurements		
Return on plan assets (excluding interest income)	11,000	(4,400)
Fair value of plan assets at end of year	121,900	111,000

Amounts recognised in the statement of financial position:

	2019	2018
	£'000	£'000
Defined benefit obligation	123,700	113,000
Fair value of plan assets	(121,900)	(111,000)
Net defined benefit liability	1,800	2,000
Closing deferred tax balance	(309)	(340)
Net defined benefit liability after taxation	1,491	1,660

Defined benefit obligation:

	2019	2018
	£'000	£'000
Defined benefit obligation by participant status		
Actives	-	19,100
Vested deferred	73,200	48,200
Retirees	50,500	45,700
Total	123,700	113,000

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

Amounts recognised in profit and loss in respect to defined benefit plans:

	2019	2018
	£'000	£'000
Current service costs:		
Interest expense on DBO	3,100	2,800
Interest income on plan assets	(3,000)	(2,800)
Total net interest cost	100	-
Administrative expenses and/or taxes (not reserved within DBO)	500	900
Cost relating to defined benefit plans included in profit and loss	600	900

Amounts recognised in other comprehensive loss in respect to defined benefit plans:

Remeasurements:		
Effect of change in assumptions	12,100	(4,800)
Effect of experience adjustments	(1,800)	2,500
Return on plan assets (excluding interest income)	(11,000)	4,400
Total remeasurements included in other comprehensive loss	(700)	2,100
Total taxation included in other comprehensive loss	119	(357)
Cost relating to defined benefit plans recognised in other comprehensive loss	(581)	1,743

Analysis of the scheme assets at the reporting date:

	2019	2018
	£'000	£'000
Fair value of plan assets:		
Cash and cash equivalents	200	500
Other	121,700	110,500
Total	121,900	111,000
Actual return on plan assets	14,000	(1,600)

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

The principal actuarial assumptions to determine cost relating to defined benefit obligations:

	2019 %	2018 %
Discount rate	2.00	2.75
Salary increase rate	n/a	3.50
Deferred pension increase rate	2.25	2.50
Pensions-in-payment increase rate	3.25	3.50
Price inflation rate	3.25	3.50
Post mortality assumption	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement

The principal actuarial assumptions to determine cost relating to defined benefit plans:

	2019 %	2018 %
Discount rate	2.75	2.50
Salary increase rate	3.50	3.50
Deferred pension increase rate	2.50	2.50
Pensions-in-payment increase rate	3.50	3.50
Price inflation rate	3.50	3.50
Post mortality assumption	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement

Expected total benefit payments:

Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000	Next 5 years £'000
2,800	2,900	3,000	3,100	3,200	17,500
2,800	2,900	3,000	3,100	3,200	17,500

With effect from 31 March 2011, the defined benefit section of the scheme closed to future accrual. Past service benefits remain linked to the final salary for active members of the scheme who accrued defined benefits up to or after 1 October 2005. The participating employers to the scheme agreed to contribute a minimum amount per annum, plus the cost of administration expenses and death in service insurance premiums. The company's share of this amounted to £Nil in 2019 (2018 - £3,000,000). The company expects to contribute £Nil in 2020.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

22. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2019	2018
	£'000	£'000
Operating leases which expire:		
Within 1 year	13,875	109
Between 1 and 5 years	55,501	3,294
After 5 years	100,596	180,284
	169,972	183,687

23. RELATED PARTY TRANSACTIONS

The company has intercompany balances or transactions with the following related parties, which are not wholly owned group companies:

Amounts due from Naughty Records Limited of £2,284,000 (2018 - £2,122,000). The company provides administrative services and during the year collected and remitted revenue of £234,000 (2018 - £338,000) to Naughty Records Limited. For those administrative services the company charged a distribution fee of £10,000 (2018 - £15,000).

Amounts due from Closer Recordings Limited of £1,447,000 (2018 - £1,023,000). The company provides administrative services and during the year collected and remitted revenue of £46,000 (2018 - £24,000) to Closer Recordings Limited. For those administrative services the company charged a distribution fee of £6,000 (2018 - £3,000).

Amounts due from Future Records Limited of £4,370,000 (2018 - £4,403,000). The movement in the year of £33,000 (2018 - £nil) relates to a reallocation of artist advances.

Amounts due from Global Talent Music Recordings Limited of £474,000 (2018 - £224,000). The movement in the year of £250,000 (2018 - £nil) relates to a reallocation of artist advances.

Following are intercompany balances with related parties, which had no transactions in the current or prior year:

Amounts due from Mother Records Limited of £362,000 (2018 - £362,000).

24. ARTIST ADVANCE COMMITMENTS

At 31 December 2019 the company had contractual commitments in respect of artist advances of £44,610,000 (2018 - £31,048,000), of which £25,286,000 (2018 - £20,582,000) relate to the next financial year.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

25. CALLED-UP SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid:

	2019 No	£'000	2018 No	£'000
Ordinary shares of £1 each	<u>15,000</u>	<u>15</u>	<u>15,000</u>	<u>15</u>

The company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution (including on winding up) rights.

The profit and loss reserve reflects cumulative profits or losses, net of dividends and other adjustments.

26. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Universal Music Leisure Limited. The ultimate parent undertaking and controlling party as at 31 December 2019 was Bolloré Group.

The smallest group in which the results of the company are consolidated is that headed by Vivendi SE, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

42 Avenue de Friedland
 75380 Paris
 Cedex 08
 France

The largest group in which the results of the company are consolidated is that headed by Bolloré Group, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

Tour Bolloré
 31-32 quai de Dion Bouton
 92 811 Puteaux
 France

27. POST BALANCE SHEET EVENTS

On 23 March 2020, the UK government announced lockdown restrictions as a result of Covid-19. The directors note that Covid-19 will adversely affect performance in 2020. In particular the lockdown and social distancing measures introduced by the government directly impact sales of physical product and certain ancillary revenue streams such as broadcast and live income.

However the directors consider that the company is well placed to deal with these challenges due to its growing digital and direct-to-customer revenue streams, driven by the depth of its artist roster and its extensive back catalogue of repertoire. These revenue streams are expected to be resilient to the impacts of Covid-19. Furthermore the inevitable consequence of the current situation is that there will be cost savings in areas such as marketing, travel, tickets and entertainment.