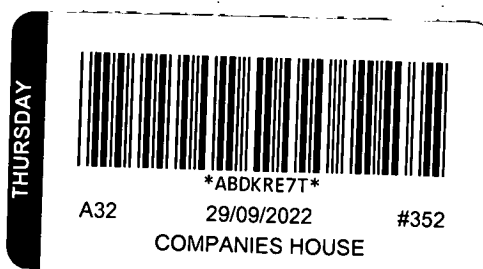


COMPANY REGISTRATION NUMBER 00950138

UNIVERSAL MUSIC OPERATIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



UNIVERSAL MUSIC OPERATIONS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS	PAGES
Officers and professional advisers	1
Strategic report	2 to 11
Directors' report	12 to 13
Independent auditor's report to the members	14 to 17
Statement of comprehensive income	18
Statement of financial position	19
Statement of changes in equity	20
Notes to the financial statements	21 to 42

UNIVERSAL MUSIC OPERATIONS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2021

THE BOARD OF DIRECTORS

DS Joseph
AM Barker
DRJ Sharpe

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

4 Pancras Square
London
United Kingdom
N1C 4AG

AUDITOR

Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD
United Kingdom

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report for the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The company is part of Universal Music Group's UK operations. Following the successful listing of Universal Music Group on the Euronext exchange, the ultimate parent undertaking and ultimate controlling party of the company changed to Universal Music Group N.V.. This change in ownership has not altered the principal activities of the company.

The result of the company for the year ended 31 December 2021 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 18, 19 and 20 respectively. The result and position of the company were in line with directors' expectations.

RESULTS AND DIVIDENDS

The company's profit for the financial year was £22,929,000 (2020: profit £67,234,000). The retained profit for the year has been transferred to reserves. The directors do not recommend a dividend payment for the year ended 31 December 2021 (2020: £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, result before taxation and net assets, as described below.

Turnover

Turnover levels decreased to £531,222,000 in 2021, compared to £547,359,000 in the previous year. The decrease is due to a transfer pricing review completed in 2020, which resulted in the recognition of additional overseas revenues. The year on year impact of this was a reduction in revenues of £55,742,000. Aside from this, demand for streaming services has continued to increase, and direct-to-customer sales via online platforms also grew during 2021.

The directors consider that although COVID-19 will continue to have some impact, particularly on live and broadcast income, the outlook for future years is very positive as the expectation is for continued growth in demand for streaming services.

Gross profit margin

The company's gross profit margin decreased from 38% to 33% this year. The decrease in margin was driven by a transfer pricing review completed in 2020, which resulted in the recognition of additional overseas revenues. The year on year impact of this was a reduction in margin of 6%. Otherwise, margins have remained consistent, as cost control measures have remained in place even as COVID-19 restrictions have been lifted.

Result before taxation

The company's profit before taxation was £35,774,000, compared to £79,728,000 in the prior year. The result is primarily driven by the decreased turnover and gross profit margin noted above.

Net assets

The company's net asset position at 31 December 2021 remains strong at £126,376,000 (2020: £108,237,000). The increase compared to the prior year was driven by the overall profit for the financial year.

CORPORATE GOVERNANCE

Purpose and Leadership

The company's main purpose is the discovery and development of artists, as well as the distribution, sale, marketing and promotion of all forms of recorded music in addition to providing other services to other companies within Universal Music Group ("UMG").

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE (continued)

The board's responsibility is to promote and drive the company's purpose, its value and strategy, and to ensure it remains aligned with the wider goals of both UMG and its parent company, Universal Music Group N.V. ("UMG NV"). The measures and initiatives undertaken to demonstrate these are as set out in the specific headings as reflected in the section 172 statement within this report.

UMG is under the leadership of Sir Lucian Grainge globally. DS Joseph, as Chairman and CEO of Universal Music UK, oversees the companies within the UK group, including the diverse range of labels, including EMI, Polydor, Island, Decca, and 0207 Def Jam, alongside the world's most famous recording studios, Abbey Road.

The COVID-19 pandemic has continued to pose challenges in the last year. The company prioritized the safety of its workforce and artists. A new working approach was swiftly put in place, including a focus on effective working methods, mental health, private healthcare and financial support for artists affected by the pandemic. The board is pleased to note that employees have now returned to the office and most have chosen the option of hybrid working, spending three days per week in the office and two days working from home.

In line with UMG's vision to create an environment that resonates with its culture and value, group companies implement this vision through programmes on diversity and inclusion for all employees.

Board Composition

The board composition reflects the balance of skills, experience and diversity necessary to support the business given the complexity of the music business.

Together the board members have more than 50 years of experience working at UMG:

- DS Joseph is a vastly experienced company leader (having led record labels for more than 20 years) and is one of the most prominent executives in the UK's creative industries;
- AM Barker is a lawyer with over 20 years of experience in legal affairs in the music industry;
- DRJ Sharpe is a Chartered Accountant with 25 years of finance experience in the music industry; and
- A Abioye is a Chartered Secretary with over 25 years' experience in governance and company law compliance, as well as a Fellow of ICSA, The Chartered Governance Institute.

The organisational structure of the company is designed to ensure the right balance between board oversight and creative freedom for the various labels and divisions. Each label or division has its own management team responsible for driving the success of that label.

These business unit management teams meet formally with the board twice each quarter (one management review meeting and one creative review meeting) in addition to numerous informal meetings between management and board members. This allows each label management team direct access to the board, and ensures they align with the overall group objectives whilst still being allowed freedom to manage according to the unique characteristics of their own label or business unit.

Director Responsibilities

We report in the s172 statement within this report how directors have fulfilled their general legal duties defined under the Companies Act. The board is responsible for the overall conduct of the company's business as defined under the company articles of association.

Members of the board meet regularly to discharge their day-to-day responsibilities and meet formally to discuss significant company matters such as acquisitions, approval of financial statements and other ad hoc matters requiring board approvals.

Members of the board are provided with training on legal and regulatory developments in-house and by professional advisers where appropriate.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE (continued)

Opportunity & Risk

Each business in the group is required to implement the strategies set by the UMG Board in relation to internal control objectives. The recorded music business unit complies with the UMG controls and compliance program which has been tailored to our business risk factors and operational requirements. This is designed to mitigate financial and fraud risks across 12 different areas and involves documenting or testing over 400 different controls. The programme and controls covered are updated each year in response to any changes in the business environment and the specific risks UMG faces.

Each year the board assess the effectiveness of internal systems and risks in ensuring it complies with its Parent Company's Code of Financial Ethics. Every six months, the Chief Operating Officer of each business unit must certify in writing compliance with internal control procedures linked to the preparation of financial statements.

Through our parent company, UMG NV, we have centralised insurance coverage for our business. This includes but is not limited to risks associated to property damage and business interruption; civil liability etc. We also have local policies in compliance with UK regulations.

Remuneration

The company's human resources department is committed to identifying, recruiting and retaining talented individuals, including through compensation and a wide range of employee benefits.

An element of remuneration for directors, management and employees alike is linked to the success of both one's respective business unit and the group as a whole, adopting the ethos of its parent company to align everyone for shared success. This ensures that all employees benefit from, and are motivated by, the success of the business.

Employees have access to an employee share scheme which gives them the opportunity to benefit from the long-term success of the business by investing in the parent company shares through the Opus Vivendi employee shareholding scheme.

Stakeholder Relationships & Engagement

This is set out in more detail in the section 172 statement within the strategic report. This describes how the board has engaged and continues to engage with key stakeholders.

In addition, we foster effective relations with UMG NV through DS Joseph and senior Universal Music executives' meetings with UMG NV executives covering a wide range of initiatives.

The individual labels ensure that we maintain effective relations with artists through frequent meetings with the artists and their management to discuss the recording, release and promotion of their records as well as the general progress of their recording career.

In terms of employees, one area of focus is mental health and well-being. As detailed within the employee engagement paragraphs of the section 172 statement, related initiatives included a Mental Health Awareness Week in 2021, among other efforts.

We publish our supplier payment practices yearly and last year we accelerated payment to support our small suppliers throughout the COVID-19 pandemic. We also continue to comply with the Modern Slavery Act 2015 in all areas of our business, as set out in our Modern Slavery Statement.

The board of directors continue to provide accountability of its shareholders in accordance with applicable law and provides timely accurate disclosure of information about all material facts to its business, including financial, social and environmental indicators to relevant governing body and auditors.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

The board of directors of Universal Music Operations Limited (the "board"), constantly assesses the implications of decisions made, in terms of 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 ("UMUK"). In making this statement the directors are referring to the relevant activities of the group.

Shareholders

The company is ultimately owned by Universal Music Group N.V. ("UMG N.V."), a company incorporated in the Netherlands. The board regularly communicates with UMG N.V. regarding strategy and performance through multiple channels, including:

- Regular and timely management accounts;
- Detailed and accurate financial budgets and forecasts;
- Collaboration as part of the UMG 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 Artist & Repertoire teams continue to work with their existing artists to create great new music, whilst identifying and nurturing emerging artists.

The board is mindful of the impact COVID-19 had on artists, and the company supported them wherever possible. We offered various forms of financial assistance such as interest-free royalty advances. We made good on payments to freelance musicians and crew who were due to support our artists on cancelled tours. We also have an open-door policy for pipeline royalty payments for any artists suffering financial hardship.

In 2022, UMG N.V. has initiated a worldwide goodwill program for certain legacy featured recording artists and songwriters with unrecovered balances. By not applying unrecovered advances to royalty statements, eligible creators and their immediate heirs, who have not received any payments since 2000, will begin receiving royalties subject to certain conditions. Within the coming months eligible artists and songwriters will be contacted.

Finally, in 2021 we launched a centralised support program offering artist counselling and career advice, as well as referrals to a broad spectrum of professional services, such as vocal coaching. The company introduces newly signed artists to the program so that they know the range of services available to them from the beginning of the relationship. Our commitment to artist wellbeing was bolstered further in April 2022, when Universal Music UK became the founding record company partner of Co-Pilot: the Musicians' Mentoring Network, delivered by the charity Help Musicians. The partnership sees Universal Music Group staff donate their time, skills and experience to empower musicians to navigate the post COVID-19 landscape and achieve their career goals.

Employee engagement

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

COVID-19 had a huge impact on Universal Music employees, the majority of whom worked from home whilst our 4 Pancras Square office was closed due to the lockdown restrictions.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172 STATEMENT (continued)

Employee engagement (continued)

Employees have now returned to the office and most have chosen the option of hybrid working, spending three days per week in the office and two days working from home. The board is incredibly proud of the resilience, teamwork and creativity that our teams have shown in adapting and flourishing under the new circumstances.

Mental health and well-being remain a key focus. We held a Mental Health Awareness Week in May 2021, which included a series of talks on topics including resilience through change, enhancing mental health, improving sleep, and eating well to stay well. There was also a community meetup for parents and carers, and a mental health session for Black-identifying employees.

Finally, to ensure all employees share in the success of the business, we have continued the policy of employees on lower salaries receiving larger percentage pay rises following the annual pay review.

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 for the 6 months ended 31 December 2021 our average time to pay invoices was 43 days.

We are aware that COVID-19 has had a significant impact on many of our suppliers and we further accelerated our payment processes in 2020 and 2021 to provide them with real financial support.

We also acknowledge the impact of COVID-19 on customers, and wherever possible have extended credit terms, or agreed payment holidays, whilst at the same time managing the company's credit risk. We have also worked closely with our customers to launch our customer portal which enables them to self-manage their accounts and orders.

The community

The board believes that music can play a vital role in bringing people together, working for positive change within communities.

In 2020 Universal Music Group established its Task Force for Meaningful Change, an employee led group focussed on equality, justice and inclusion. In April 2021 the Task Force published its manifesto with many exciting new initiatives, including:

- The Black Calendar initiative – a commitment to celebrating Black culture all year round, including regular educational reads and several headline events during Black History Month for all staff to attend
- Partnership with The Black Curriculum on its Springboard Programme, which provides workshops for young people teaching Black British History through the lens of music and arts; and
- Unite programme supporting Black artist managers.

Universal Music UK also supports other causes and projects including charitable work through the Universal Music UK Sound Foundation, its role as the UK charity partner of Playlist for Life (PFL), and continued support for East London Arts & Music (ELAM), the free school for 16-19-year-olds set up in 2014.

Likewise, we continue to support The BRIT Trust - the music industry charity that promotes education and wellbeing through music, such as The BRIT School and Nordoff Robbins music therapy.

The environment

In 2017 Universal Music UK moved into its current headquarters at 4 Pancras Square certified as 'Outstanding' by BREEAM, reflecting the board's desire to make the business as environmentally friendly as possible. The location of the office means that virtually all staff now come to work on public transport. We provide facilities with secure parking for 186 bikes, showers and a towel service. There is no staff parking onsite.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172 STATEMENT (continued)

The environment (continued)

Furthermore, the staff canteen promotes a low carbon diet by offering daily vegetarian and vegan dishes and a Meat Free Monday. Food waste is actively managed and food provenance schemes, such as MSC seafood, are adhered to when sourcing ingredients.

UMG signed the Music Climate Pact in 2021, with high level commitments to change, including signing up to the Science Based Targets initiative.

UMUK has also appointed an independent company to review our defined contribution pension scheme and worked with our trustees to implement the recommendations and ensure our investments were aligned with our values.

UMUK has been an active board member and financial supporter of Julie's Bicycle, the environmental non-for-profit organisation that supports the creative sector, since its inception in 2007. We achieved a 4* certification from their Creative Green accreditation scheme for 2021

Our staff sustainability forum, Team Green, was established in 2007 and has board level support. It works on numerous initiatives throughout the year, including those mentioned above. Other recent highlights include:

- A World Environmental Day event in June 2021 including talks on eating green, climate activism and climate justice
- A Green week in April 2022 – including talks on sustainable merchandise, the climate crisis and where we are following COP 26;
- Encouraging staff engagement through suggestion boards.

Maintaining a reputation for high standards of business conduct

The company has a code of conduct, on which all employees are certified annually, 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 incorporates anti-bribery training, commercial sensitivity and appropriate workplace conduct.

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.

ENERGY & CARBON REPORTING STATEMENT

This section of our strategic report discloses our operational energy and carbon footprint in line with the UK government's Streamlined Energy and Carbon Reporting ('SECR') initiative.

In 2021 the company had a carbon footprint of 151.69 tCO₂e using location-based approach. This has increased 25% from 121.05 tCO₂e in 2020. This increase is due to the relaxation of COVID-19 restrictions meaning that the workforce could return to the office in 2021, which increased the company's electricity usage.

Methodology

To comply with SECR, the company has reported on all emission sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Our emissions have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Both location-based and market-based emissions have been calculated using emission factors from the Department of Business, Energy & Industrial Strategy (Greenhouse gas reporting: conversion factors for 2020 and 2021 respectively for location-based) and supplier-specific fuel mixes for market-based.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

ENERGY & CARBON REPORTING STATEMENT (continued)

In line with SECR requirements, the emissions reported are the same as those which would be reported based on a financial control boundary. The company's Scope 2 emissions relate to the office at 4 Pancras Square, where the company is based alongside other Universal Music UK companies. They have been calculated by allocating the total emissions of the site based on the square footage occupied by the company.

UK Annual Energy and Carbon

Table 1 shows the company's Scope 1 emissions, including consumption of fuel by fleet or company cars, or fugitive emissions from refrigerants. The 4 Pancras Square site does not have natural gas, or liquid fuels from generators and equipment.

Scope 1	Transport - Diesel		Transport - Petrol	
	kWh	tCO ₂ e	kWh	tCO ₂ e
2020	41,722.00	10.04	5,547.37	1.27
2021	45,910.05	10.87	-	-

Table 1: Scope 1 Emissions

Table 2 shows our Scope 2 emissions, based on electricity consumed.

Scope 2	Electricity kWh	tCO ₂ e (location)	tCO ₂ e (market)
2020	436,130.41	101.68	0.45
2021	673,232.04	130.54	-

Table 2: Scope 2 Emissions

Table 3 shows our Scope 3 emissions, being energy consumed through use of rental or personal cars.

Scope 3	Transport - Diesel		Transport - Petrol	
	kWh	tCO ₂ e	kWh	tCO ₂ e
2020	12,801.95	3.08	21,748.76	4.98
2021	16,797.23	3.98	27,391.18	6.29

Table 3: Scope 3 Emissions

A summary of all the emissions reported in line with our SECR disclosure is shown in Table 4.

tCO ₂ e	Scope 1	Scope 2 (location)	Scope 2 (market)	Scope 3	Total (location)	Total (market)
2020	11.31	101.68	0.45	8.06	121.05	19.82
2021	10.87	130.54	-	10.27	151.69	21.15

Table 4: Total carbon emissions

A summary of all the kWh energy reported in line with our SECR disclosure is shown in Table 5.

kWh	Scope 1	Scope 2	Scope 3	Total
2020	47,269.37	436,130.41	34,550.71	517,950.48
2021	45,910.05	673,232.04	44,188.42	763,330.52

Table 5: Total kWh energy

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

ENERGY & CARBON REPORTING STATEMENT (continued)

Table 6 contains our chosen intensity ratios of tonnes of carbon dioxide equivalent per square foot.

Intensities	Location-based	Market-based
	tCO ₂ e /sqft	tCO ₂ e /sqft
2020	0.0015	0.0003
2021	0.0019	0.0003

Table 6: Intensity ratio (tCO₂e/sqft)

Energy efficiency actions

The company is part of the wider Universal Music Group, which through its Environment, Social, and Governance program is focused on climate and related environmental issues, including the accurate measurement and reporting of company-related greenhouse gas emissions.

At a local level, the company makes a conscious effort to incorporate energy efficiency measures wherever possible into its decision-making processes. In 2017 Universal Music UK moved into 4 Pancras Square, an energy-efficient building, which is scored as a BREEAM Outstanding. Below are some of the features which provide significant energy savings:

- In 2021 the Kings Cross Estate declared itself carbon neutral, including the embodied carbon from construction.
- The on-site energy centre, previously powered by fossil fuel, is now powered by gas from an Anaerobic Digestion plant in Scotland which has much lower associated carbon emissions.
- Building Management System optimised for efficiencies.
- Electricity at the site is sourced from a green tariff.
- LED lights, some motion censored.
- Site orientation, solar shading, and use of thermal mass for cooling and passive ventilation;
- Water-saving and recycling technologies;
- Heating and cooling pumps which circulate heated/cooled air, varying their speed and volume supplied based on demand;
- Water meters to record the amount of water used in each area and identify water savings where possible;
- Toilets fitted with dual flush mechanisms to limit the amount of water wasted when flushing; and
- Basin taps with air mixed with water to minimise water use.

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/intercompany receivables and trade/intercompany 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 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-out process expected to conclude in 2022.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

Liquidity risk

The company manages liquidity via intercompany loans. It is part of the cash management policy of its ultimate parent company, Universal Music Group N.V., under which any cash surplus or deficit is swept up or down at the end of each day. Financial risk is managed by ensuring liquidity is sufficient to meet future needs, and that sufficient funding is in place before any new commitments are entered into. 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:

- how and when certain aspect of the music industry will recover from the impacts of COVID-19, in particular physical retail sales, broadcast income and live income;
- 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 (UK) left the European Union (EU) and entered a transition period. On 31 December 2020, the transition period ended and the UK left the EU single market and customs union.

The company took various steps in response to this, including the following:

- System updates and training to ensure compliance with the updated requirements relating to indirect taxes, customs and duties requirements on product dispatched to EU countries;
- System updates and training to ensure compliance with the updated requirements relating to indirect taxes on purchases from EU suppliers; and
- Providing advice and support to all team members with EU passports regarding the EU Settlement Scheme and securing the right to continue working in the UK.

Thus far these measures have been successful in preventing any major disruptions to business. The directors will continue to monitor the situation and take further measures if necessary.

UNIVERSAL MUSIC OPERATIONS LIMITED

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

COVID-19

COVID-19 and the related restrictions adversely affected retail sales of physical product and certain ancillary revenue streams such as broadcast and live income.

However the company was 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 were resilient to the impacts of COVID-19. Furthermore the company reduced non-essential spending in areas such as marketing, travel, tickets and entertainment.

As government restrictions have been relaxed through 2021, sales of physical product are no longer being adversely affected, and broadcast and live income streams should begin to recover. Overall, despite the challenges of the COVID-19 pandemic, the company has maintained strong performance and profitability. The directors will continue to monitor the situation for any future impact on the company.

Climate change

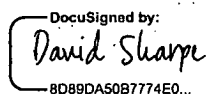
Whilst the company is not considered to be part of a heavy emitting industry, the directors recognise the importance of reducing its impacts and moving towards being a zero carbon operation.

The company, as part of Universal Music Group's UK operations, has recently signed up to the Science Based Targets Initiative which will provide a clearly-defined pathway to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proofing business growth.

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:

8D89DA50B7774E0...

DRJ Sharpe
Director

Date: 13 May 2022

UNIVERSAL MUSIC OPERATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2021.

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.

- Results and dividends;
- Corporate governance;
- Section 172 statement;
- Energy & carbon reporting statement;
- 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. Universal Music Group N.V., the ultimate parent undertaking, maintains a Directors & Officers Liability Programme which indemnifies directors' personal liabilities resulting from alleged wrongful acts committed in the line of their employment, in relation to the company and its subsidiary undertakings.

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:

	2021	2020
	£	£
Charitable donations	436,000	543,000

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 Universal Music Group N.V., the company's ultimate 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.

UNIVERSAL MUSIC OPERATIONS LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

GOING CONCERN (continued)

Having regard to the company's cash flow forecasts, and the intention and ability of Universal Music Group N.V. to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis at 31 December 2021.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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.

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

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.

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

DocuSigned by:

Bala Abioye

A Abioye 8C3863FB990C4CC...

Company Secretary

Date: 13 May 2022

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 2021

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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;
- the statement of accounting policies; and
- the related notes 1 to 24.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- review of forecast for a period of 12 months from signing date;
- identification and challenge of key assumptions used in the forecasts;
- assessment of amount of headroom in the forecasts (cash);
- sensitivity analysis;
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

UNIVERSAL MUSIC OPERATIONS LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2021

Our responsibilities and the responsibilities of the directors 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 annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the 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.

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.

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 company's industry and its control environment, and reviewed the company's documentation of their policies 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.

UNIVERSAL MUSIC OPERATIONS LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2021

We obtained an understanding of the legal and regulatory framework that the 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 Companies Act 2006, The Companies (Miscellaneous Reporting) Regulations 2018, UK tax legislation, Companies, Partnerships and Group Regulations 2015, UK GAAP as issued by the Financial Reporting Council; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included UK Bribery Act, Data Protection Regulation, Money Laundering and Proceeds of Crime Act 2006, Copyright Designs and Patents Act.

We discussed among the audit engagement team including relevant internal specialists such as tax, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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.

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:

- Risk of fraud in relation to revenue as a result of manual top-side adjustments. To address this risk we performed testing over the design and implementation of controls relevant to address the risk, and direct testing over manual journal entries to revenue, agreeing to supporting evidence, corroborating business rationale and compliance with accounting standards.

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 and in-house legal counsel 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 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 2021

Matters on which we are required to report by exception

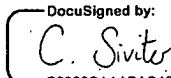
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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:

B3368CAAABAC483...

Claire Siviter, FCA (Senior Statutory Auditor)

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

Date: 13 May 2022

Company Registration Number: 00950138

UNIVERSAL MUSIC OPERATIONS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
TURNOVER	4	531,222	547,359
Cost of sales		(358,037)	(339,223)
GROSS PROFIT		173,185	208,136
Distribution costs		(13,433)	(12,654)
Administrative expenses		(121,405)	(110,037)
OPERATING PROFIT	5	38,347	85,445
Income from participating interests		-	75
Interest receivable and similar income	8	2,298	4,883
Interest payable and similar charges	9	(2,764)	(10,675)
PROFIT BEFORE TAXATION		37,881	79,728
Tax on profit	10	(14,952)	(12,494)
PROFIT FOR THE FINANCIAL YEAR		22,929	67,234
Other comprehensive expense			
Remeasurement of defined pension scheme	19	(2,600)	(600)
Tax on other comprehensive expense	19	(459)	114
TOTAL COMPREHENSIVE INCOME		19,870	66,748

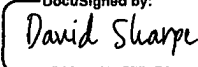
All of the activities of the company are classed as continuing operations.

The notes on pages 21 to 42 form part of these financial statements

UNIVERSAL MUSIC OPERATIONS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	89,762	73,919
Property, plant & equipment	12	48,297	53,801
Investments	13	34,408	34,822
		<u>172,467</u>	<u>162,542</u>
CURRENT ASSETS			
Inventories	14	5,765	4,252
Debtors: Amounts falling due within one year	15	2,214,226	2,107,872
		<u>2,219,991</u>	<u>2,112,124</u>
CREDITORS: Amounts falling due within one year	16	<u>(2,215,462)</u>	<u>(2,134,317)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>4,529</u>	<u>(22,193)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>176,996</u>	<u>140,349</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	17	(14,548)	(4,604)
Provisions for liabilities and charges	18	(34,341)	(25,567)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>128,107</u>	<u>110,178</u>
Defined benefit pension scheme liability	19	-	(1,941)
NET ASSETS		<u>128,107</u>	<u>108,237</u>
CAPITAL AND RESERVES			
Called-up share capital	23	15	15
Profit and loss account		<u>128,092</u>	<u>108,222</u>
EQUITY SHAREHOLDERS' FUNDS		<u>128,107</u>	<u>108,237</u>

These accounts were approved by the board of directors and authorised for issue on 13 May 2022 and are signed on their behalf by:

DocuSigned by:

 8D89DA50B7774E0...
 DRJ Sharpe
 Director

Company Registration Number : 00950138

The notes on pages 21 to 42 form part of these financial statements

UNIVERSAL MUSIC OPERATIONS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Called-up share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance brought forward at 1 January 2020		15	41,474	41,489
Total comprehensive expense for the year				
Profit for the year		-	67,234	67,234
Other comprehensive expense	20	-	(486)	(486)
Balance at 1 January 2021		15	108,222	108,237
Total comprehensive income for the year				
Profit for the year		-	22,929	22,929
Other comprehensive expense	20	-	(3,059)	(3,059)
Balance carried forward at 31 December 2021		15	128,092	128,107

The notes on pages 21 to 42 form part of these financial statements

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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, United Kingdom, NIC 4AG.

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 2 to 11.

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, Universal Music Group N.V., copies of which can be obtained from Universal Music Group, 's-Gravelandseweg 80, 1217 EW Hilversum, The Netherlands.

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 401 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 2021

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 Universal Music Group N.V., the company's ultimate 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 Universal Music Group N.V. to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis at 31 December 2021.

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 to cost of sale in the same period as the relevant income.

Income from participating interests

Income from participating interests 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 2021

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

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 instruments

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.

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 2021

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 provided against. 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 based on purchase invoice, 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.

UNIVERSAL MUSIC OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

3. ACCOUNTING POLICIES (continued)

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.

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 Universal Music Group N.V.; 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 Fidelity. In respect of employees of the company, contributions to the GPP are charged to the statement of comprehensive income as they become payable.

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).

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. ACCOUNTING POLICIES (continued)

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.

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 2021

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 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 18. 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 18. 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.

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. The gross carrying value of artist advances as at 31 December 2021 is £930,066,000 (2020: £895,383,000).

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

4. TURNOVER

Turnover by activity is as follows:

	2021	2020
	£'000	£'000
Product sales	298,380	251,169
Royalties	232,842	296,190
	<u>531,222</u>	<u>547,359</u>

Turnover by destination is as follows:

	2021	2020
	£'000	£'000
United Kingdom	332,540	301,591
Rest of Europe	75,798	89,598
United States of America	79,772	104,878
Rest of World	43,112	51,292
	<u>531,222</u>	<u>547,359</u>

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2021	2020
	£'000	£'000
Amortisation of intangible assets	4,157	3,995
Depreciation of owned fixed assets	5,576	5,457
Auditor's remuneration	298	250
Non audit fees	50	48
Cost of inventories recognised as an expense	17,006	14,747
Impairment of inventories	1,271	857
Operating lease costs:		
- Land and buildings	18,545	18,467
Net loss/(gain) on foreign currency translation	242	(384)
	<u> </u>	<u> </u>

The company also incurred costs in respect of audit services on behalf of other group entities amounting to £96,000 (2020: £101,000). Non audit fees of £50,000 (2020: £48,000) were incurred relating to interim review reporting.

6. PARTICULARS OF EMPLOYEES

The company had no employees during the year ended 31 December 2021 (2020: none). Payroll costs amounting to £74,135,000 (2020: £66,021,000) were recharged to the company by a fellow group undertaking, Universal Music Holdings Limited.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

7. DIRECTORS' REMUNERATION

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

	2021 £'000	2020 £'000
Aggregate emoluments	9,414	9,809
Company contributions to money purchase scheme	1	6
	<u>9,415</u>	<u>9,815</u>

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

Retirement benefits are accruing to one director (2020: one) under the defined contribution section of the Universal Music Master Trust (the "Master Trust") arrangement.

Two directors (2020: 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:

	2021 £'000	2020 £'000
Director's emoluments	<u>7,546</u>	<u>8,012</u>

The directors, including the highest paid director, did not exercise any share options in the year (2020: none). Following the listing of the company's ultimate parent company, Universal Music Group N.V., the highest paid director was granted shares. The amounts receivable under the group's long-term performance scheme were £nil (2020: £nil).

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Other interest receivable	48	-
Interest receivable from group undertakings	<u>2,250</u>	<u>4,883</u>
	<u>2,298</u>	<u>4,883</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2020
	£'000	£'000
Interest on pension obligation	1,900	2,400
Expected return on pension scheme assets	(1,900)	(2,400)
Interest payable to group undertakings	2,764	10,675
	<u>2,764</u>	<u>10,675</u>

10. TAX ON PROFIT

(a) Analysis of tax charge in the year

	2021	2020
	£'000	£'000
Current tax:		
UK Taxation		
In respect of the year		
UK Corporation tax on profit for the year	4,871	140
Adjustments in respect of previous years	137	(413)
Group relief receivable for losses surrendered to other group undertakings	-	13,125
Double taxation relief	(43)	(140)
Foreign tax on current income for the year	43	140
Total current tax	<u>5,008</u>	<u>12,852</u>
Deferred tax:		
Origination and reversal of timing differences	5,931	2,876
Adjustments in respect of prior periods	4,013	(3,234)
Total deferred tax	<u>9,944</u>	<u>(358)</u>
Tax on profit on ordinary activities	<u>14,952</u>	<u>12,494</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

10. TAX ON PROFIT (continued)

(b) Factors affecting tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

Under the Finance Act 2021, the main rate of corporation tax was increased from 19% to 25% with effect from 1 April 2023. This change was substantively enacted for UK GAAP purposes on 24 May 2021. 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.

	2021	2020
	£'000	£'000
Profit before taxation	37,881	79,728
Profit at the standard rate of UK Corporation tax of 19.00% (2020: 19.00%)	7,197	15,148
Expenses not deductible for tax purposes	113	830
Adjustments in respect of previous periods	4,150	(3,647)
Double tax relief	(43)	(140)
Foreign tax suffered in the period	43	140
Impact of statutory rate change	3,492	163
Current tax charge for the financial year	14,952	12,494

11. INTANGIBLE ASSETS

	Catalogue assets £'000
COST	
At 1 January 2021	78,598
Additions	20,000
At 31 December 2021	98,598
AMORTISATION	
At 1 January 2021	4,679
Charge for the year	4,157
At 31 December 2021	8,836
NET BOOK VALUE	
At 31 December 2021	89,762
At 31 December 2020	73,919

During the year the company acquired two catalogues at a cost of £20,000,000. The catalogue assets are being amortised over a 20 year period.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

12. PROPERTY, PLANT & EQUIPMENT

	Leasehold improvements £'000	Plant & machinery £'000	Total £'000
COST			
At 1 January 2021	59,892	8,628	68,520
Additions	244	286	530
Disposals	-	(480)	(480)
At 31 December 2021	60,136	8,434	68,570
DEPRECIATION			
At 1 January 2021	9,641	5,078	14,719
Charge for the period	4,498	1,078	5,576
Disposals	-	(22)	(22)
At 31 December 2021	14,139	6,134	20,273
NET BOOK VALUE			
At 31 December 2021	45,997	2,300	48,297
At 31 December 2020	50,251	3,550	53,801

13. INVESTMENTS

	Shares in subsidiaries £'000
COST	
At 1 January 2021	52,004
Disposals	(414)
At 31 December 2021	51,590
PROVISION FOR IMPAIRMENT	
At 1 January 2021 and at 31 December 2021	17,182
NET BOOK VALUE	
At 31 December 2021	34,408
At 31 December 2020	34,822

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

13. INVESTMENTS (continued)

Subsidiary undertakings

The subsidiaries of Universal Music Operations Limited as at 31 December 2021 are set out below. Those marked with an asterisk are not 100% directly owned. 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%	Dormant
First Classic Limited*	Ordinary	100%	Dormant
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
Universal Music (CR) Limited	Ordinary	100%	Marketing and distribution of recorded music
RG2016 Limited	Ordinary	100%	Dormant
Stiff Records Limited	Ordinary	100%	Dormant
ZTT Records Limited	Ordinary	100%	Dormant
All Around The World Limited	Ordinary	100%	Holding company
AATW Limited*	Ordinary	100%	Dormant company
All Around The World Productions Limited*	Ordinary	100%	Marketing and distribution of recorded music
All Around The World Reproductions Limited*	Ordinary	100%	Dormant company
All Around The World TV Limited*	Ordinary	100%	Dormant company
Clubland Productions Limited*	Ordinary	100%	Dormant company
Ultimate..... Hits Limited*	Ordinary	100%	Dormant company
Penny Street TV Limited*	Ordinary	100%	Television broadcasting
TV Two Limited*	Ordinary	100%	Online advertising
One Mode Productions Limited	Ordinary	100%	Marketing and distribution of 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 401 of the Companies Act 2006.

14. INVENTORIES

	2021 £'000	2020 £'000
Finished goods	5,765	4,252

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 2021

15. DEBTORS: Amounts due within one year

	2021 £'000	2020 £'000
Trade debtors	7,812	13,668
Amounts due from group undertakings	2,044,213	1,951,831
Corporation tax	-	496
VAT recoverable	7,609	2,778
Other debtors	86,589	70,555
Prepayments	5,623	4,417
Accrued income	62,380	64,127
	<u>2,214,226</u>	<u>2,107,872</u>

Within amounts due from group undertakings, £1,064,624,000 (2020: £1,022,703,000) is due from parent companies, £11,474,000 (2020: £11,748,000) is due from subsidiary companies and £968,115,000 (2020: £917,380,000) is due from other group companies.

All amounts due from fellow group undertakings are classified as current as they are repayable on demand. They are unsecured and interest rates are linked to LIBOR. From 1 January 2022, balances denominated in Sterling will be linked to SONIA and balances denominated in Euros will be linked to EURIBOR.

At 31 December 2021 and 31 December 2020, all debtors are measured at amortised cost.

At 31 December 2021 £16,308,000 (2020: £22,492,000) is included within other debtors relating to advances due in more than 1 year.

16. CREDITORS: Amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans and overdrafts	127	2,543
Trade creditors	165,735	148,318
Amounts owed to group undertakings	1,960,406	1,903,650
Corporation tax	13,185	-
Other taxation and social security	3,793	8,466
Other creditors	1,409	1,773
Accruals	63,667	59,347
Deferred income	7,140	10,220
	<u>2,215,462</u>	<u>2,134,317</u>

Within amounts owed to group undertakings, £356,484,000 (2020: £441,836,000) is owed to parent companies, £23,139,000 (2020: £19,802,000) is owed to subsidiary companies, and £1,580,783,000 (2020: £1,442,012,000) is owed to other group companies.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

16. CREDITORS: Amounts falling due within one year (continued)

At 31 December 2021 and 31 December 2020, all creditors are measured at amortised cost and no security has been provided against the balances.

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. The interest rates are linked to LIBOR. From 1 January 2022, balances denominated in Sterling will be linked to SONIA and balances denominated in Euros will be linked to EURIBOR.

17. DEFERRED TAXATION

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

	2021	2020
	£'000	£'000
Balance brought forward	4,604	4,927
Balance brought forward deferred tax on pension liability	459	309
Exclude deferred tax asset included in defined benefit pension scheme liability note	-	(459)
Charge to deferred taxation on defined benefit pension scheme movement in the year	(459)	150
Deferred taxation on ordinary activities account movement arising during the year	9,944	(323)
	<u>14,548</u>	<u>4,604</u>
Balance carried forward	<u>14,548</u>	<u>4,604</u>

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

	2021	2020
	£'000	£'000
Excess of depreciation over taxation allowances	2,059	1,156
Other timing differences	12,489	3,448
	<u>14,548</u>	<u>4,604</u>

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

	2021	2020
	£'000	£'000
Included in the statement of financial position	14,548	4,604
Included in defined benefit pension scheme liability (note 19)	-	(459)
	<u>14,548</u>	<u>4,145</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Artist royalties & commitments £'000	Other provisions £'000	Total £'000
At 1 January 2021	17,228	8,339	25,567
Movement arising during the year	5,560	3,214	8,774
At 31 December 2021	22,788	11,553	34,341

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.

19. PENSIONS AND OTHER POST RETIREMENT BENEFITS

Universal Music Group N.V. 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 Universal Music Group N.V. 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 2021

19. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

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 committed to a buy-out process which is expected to conclude in 2022. As at 31 December 2021, the liabilities of the scheme are fully covered by the related insurance policy asset.

The results of the 5 April 2015 valuation have been updated to 31 December 2021 for FRS 102 purposes. The valuation update showed that the deficit reduced to £nil, with the market value of the assets being £136,400,000 and the liabilities £136,400,000.

The company's total contributions amounted to £5,000,000 for the year ended 31 December 2021 (2020: £nil).

Movements in the present value of defined benefit obligation:

	2021	2020
	£'000	£'000
Defined benefit obligation at beginning of the year	129,900	123,700
Costs (excluding interest):		
Interest expense	1,900	2,400
Cash flows:		
Benefit payment from plan assets	(3,800)	(5,100)
Remeasurements:		
Effect of changes in assumptions	5,700	8,400
Effect of experience adjustments	2,700	500
Defined benefit obligation at end of year	<u>136,400</u>	<u>129,900</u>

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

19. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

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

	2021	2020
	£'000	£'000
Fair value of plan assets at beginning of the year	127,500	121,900
Interest income	1,900	2,400
Cash flows:		
Total employer contribution	5,000	-
Benefit payments from plan assets	(3,800)	(5,100)
Remeasurements		
Return on plan assets (excluding interest income)	5,800	8,300
Fair value of plan assets at end of year	136,400	127,500

Amounts recognised in the statement of financial position:

	2021	2020
	£'000	£'000
Defined benefit obligation	136,400	127,500
Fair value of plan assets	(136,400)	(129,900)
Net defined benefit liability	-	2,400
Closing deferred tax balance	-	(459)
Net defined benefit liability after taxation	-	1,941

Defined benefit obligation:

	2021	2020
	£'000	£'000
Defined benefit obligation by participant status		
Actives	-	23,400
Vested deferred	80,300	53,600
Retirees	56,100	52,900
Total	136,400	129,900

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

19. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

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

	2021	2020
	£'000	£'000
Current service costs:		
Interest expense on DBO	1,900	2,400
Interest income on plan assets	(1,900)	(2,400)
Total net interest cost	-	-

Cost relating to defined benefit plans included in profit and loss

	-	-
	-	-

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

Remeasurements:		
Effect of change in assumptions	5,700	8,400
Effect of experience adjustments	2,700	500
Return on plan assets (excluding interest income)	(5,800)	(8,300)

Total remeasurements included in other comprehensive expense

	2,600	600
--	--------------	------------

Total taxation included in other comprehensive expense

	459	(114)
--	------------	--------------

Cost relating to defined benefit plans recognised in other comprehensive expense

	3,059	486
--	--------------	------------

Analysis of the scheme assets at the reporting date:

	2021	2020
	£'000	£'000
Fair value of plan assets:		
Cash and cash equivalents	-	100
Other	136,400	127,400
Total	136,400	127,500
Actual return on plan assets	7,700	10,700

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

19. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

The principal actuarial assumptions to determine the defined benefit obligations:

	2021 %	2020 %
Discount rate	2.00	1.50
Price inflation rate (CPI)	3.00	2.70
Price inflation rate (RPI)	3.75	3.10
Deferred pension increase rate	3.75	3.00
Post mortality assumption	SINA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement	SINA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement

The principal actuarial assumptions to determine the costs relating to defined benefit plans:

	2021 %	2020 %
Discount rate	2.00	2.00
Price inflation rate (CPI)	2.70	2.25
Price inflation rate (RPI)	3.00	3.25
Deferred pension increase rate	3.10	3.25
Post mortality assumption	SINA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement	SINA "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
1,000	-	-	-	-	-

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2021 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2021	2020
	£'000	£'000
Operating leases which expire:		
Within 1 year	13,875	13,875
Between 1 and 5 years	55,501	55,501
After 5 years	72,846	86,721
	<u>142,222</u>	<u>156,097</u>

21. 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 £2,199,000 (2020: £2,243,000). The company provides administrative services and during the year collected and remitted revenue of £163,000 (2020: £212,000) to Naughty Records Limited. For those administrative services the company charged a distribution fee of £7,000 (2020: £8,000).

Amounts due from Future Records Limited of £4,300,000 (2020: £4,318,000).

Amounts due from Global Talent Music Recordings Limited of £281,000 (2020: £257,000).

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 (2020: £362,000).

All related party transactions are unsecured and will be repayable in the form of a cash consideration. No guarantees have been given or received.

22. ARTIST ADVANCE COMMITMENTS

At 31 December 2021 the company had contractual commitments in respect of artist advances of £62,751,000 (2020: £56,724,000), of which £30,985,000 (2020: £28,027,000) relate to the next financial year.

UNIVERSAL MUSIC OPERATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

23. CALLED-UP SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid:

	2021		2020	
	No	£'000	No	£'000
Ordinary shares of £1 each	15,000	15	15,000	15

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.

24. ULTIMATE PARENT COMPANY

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

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

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