

**COMPANY REGISTRATION NUMBER 00950138**

**UNIVERSAL MUSIC OPERATIONS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**



**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**THE BOARD OF DIRECTORS**

DS Joseph  
AM Barker  
DRJ Sharpe

**COMPANY SECRETARY**

A Abioye

**REGISTERED OFFICE**

4 Pancras Square  
London  
N1C 4AG

**AUDITOR**

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

# UNIVERSAL MUSIC OPERATIONS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their strategic report for the company for the year ended 31 December 2020.

#### 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.

The result of the company for the year ended 31 December 2020 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 £67,234,000 (2019 - loss £20,760,000). 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 2020 (2019 - £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 increased to £547,359,000 in 2020, compared to £434,135,000 in the previous year. This growth was achieved despite the impact of COVID-19 on some revenue streams such as physical retail sales, live income and broadcast income. Demand for streaming services has continued to increase, and direct-to-customer sales via online platforms also grew during 2020. We also note that a transfer pricing review conducted during the year resulted in the recognition of additional overseas revenues for 2019 and 2020.

The directors consider that although COVID-19 will continue to have some impact, particularly on live and broadcast income in 2021, 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 increased from 30% to 38% this year. The increase in margin was driven by a reduction in non-essential marketing and A&R spend in response to COVID-19. In addition a transfer pricing review conducted during the year resulted in the recognition of additional overseas revenues for 2019 and 2020.

##### *Result before taxation*

The company's profit before taxation was £79,728,000, compared to a loss of £22,200,000 in the prior year. The improvement is primarily driven by increased turnover and gross profit margin noted above. In addition, the company has realised some overhead savings due to reduced travel and entertaining during COVID-19, and the reduction in LIBOR rates has benefitted the company as interest payable has fallen, whilst last year the result was adversely impacted by a £12,215,000 intercompany balance write off.

##### *Net assets*

The company's net asset position at 31 December 2020 remains strong at £108,237,000 (2019 - £41,489,000). 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").

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, Vivendi SE ("Vivendi"). 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.

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **CORPORATE GOVERNANCE (continued)**

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

This financial year has seen an unprecedented challenge in responding to the multi-fold challenges of the COVID-19 pandemic as well as a focus on advancing the company's continuing diversity and inclusion initiatives - both internally and across the broader music community and society. The company has prioritized the safety of its workforce and artists by devising strategies that allowed its staff to seamlessly transition to working from home, as well as cancelling all staff overseas business travel and putting on hold music video shoots. 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.

In line with our parent company'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 Universal Music:

- 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 2020**

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#### **CORPORATE GOVERNANCE (continued)**

##### ***Opportunity & Risk***

Each business in the group is required to implement the strategies set by Vivendi Management 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, Vivendi, 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 section 172 of the Companies Act under the strategic report. This demonstrates how the board has engaged and continues to engage with key stakeholders.

In addition, we foster effective relations with Vivendi through DS Joseph and senior Universal Music executives' meetings with Vivendi executives covering a wide range of initiatives. DS Joseph also attends the 'Vivendi Co-Founders' Forum' - an annual, multi-day strategic review attended by the leaders and senior officers of the Vivendi group companies as well as senior Vivendi executives and board members.

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 neurodiversity in the work place. As detailed in the section 172 statement, related initiatives include implementation of company-wide health and wellbeing programming and 'short Fridays' during the summer months (which have been extended during the pandemic), 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

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **CORPORATE GOVERNANCE (continued)**

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.

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

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

#### Shareholders

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

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

#### Artists

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

The board is mindful of the impact of COVID-19 on our artists and the company has supported them wherever possible. We offered various forms of financial assistance such as interest-free royalty advances and fee waivers, among others, to help qualifying artists and songwriters affected by COVID-19.

The company has also helped artists reach fans and generate income through alternative platforms whilst touring and other live appearances were not possible. This included numerous successful livestream events.

Some notable success and achievements over the last year include:

- Winning six out of the ten categories at the BRIT Awards 2020;
- Winning the 2020 BRITs Rising Star award; and
- Winning the Mercury Prize 2020

#### Employee engagement

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

COVID-19 of course had a huge impact on Universal Music employees, the majority of whom have worked from home whilst our 4 Pancras Square office is closed due to the lockdown restrictions. The board is incredibly proud of the resilience, teamwork and creativity that our teams have shown in adapting to the new circumstances.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**STRATEGIC REPORT (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**SECTION 172 STATEMENT (continued)**

**Employee engagement (continued)**

The board has sought to ensure all employees are supported during this period, including new office and IT equipment, regular communication of tips and advice regarding working from home, and additional online activities to keep employees connected. Looking forward, we have set up a return to work group to manage the process of coming back to the office, ensuring all employees are consulted and informed throughout.

The Learning & Development team have partnered with UMG's Taskforce for Meaningful Change (see below) to deliver training in unconscious bias, ensuring the company's workforce is inclusive.

Neurodiversity in the workplace remains an area of focus. Following a series of sessions and workshops for staff around the subject, in January 2020 we rolled out manager sessions on neurodiversity and in February 2020 Universal Music UK published the first handbook, "Creative Differences", for embracing neurodiversity in the creative industries.

We have continued that work internally, by helping individuals get fast-tracked diagnosis assessments, offering support for neurodiverse staff including 1:1 development coaching, and exploring support services for parents of neurodiverse children.

Finally, to ensure all employees share in the success of the business, in the last two years employees on lower salaries have received 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 2020 we reduced average time to pay invoices to 40 days, down from 45 days in the equivalent prior year period.

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 to provide them with real financial support.

For customers we have similarly noted the adverse impact of COVID-19 and wherever possible extended their credit terms, or facilitate payment holidays, whilst at the same time managing the company's credit risk. We have also worked closely with our customers over the past year to launch our customer portal which will enable them to self-manage their accounts and orders.

**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. This is a group of UMG employees from around the world who work to amplify and expand UMG's current programs, devise new initiatives and support marginalized communities in the ongoing fight for equality, justice and inclusion.

Universal Music UK also supports a number of 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.

COVID-19 and lockdown conditions have restricted the use of 4 Pancras Square in 2020, but the board is committed to using the space to host community focussed events once it becomes safe to do so.



# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **SECTION 172 STATEMENT (continued)**

##### The environment

In 2018 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.

Team Green is the employee led group which works to achieve this goal through numerous initiatives.

Before lockdown, Universal Music UK took the significant decision to offset all carbon emissions from staff and artist flights for 2019 by directly donating to carbon offsetting schemes. Although the volume of flights has been far lower in 2020 due to lockdown, we will be keeping our carbon offsetting strategy under regular review to ensure our yearly contribution is both meaningful and impactful.

In July 2020 we marked the second London Climate Action Week with a series of Zoom talks including topics such as carbon offsetting schemes, a beginner's guide to the climate emergency, and nature in the city.

##### Maintaining a reputation for high standards of business conduct

The company has a code of conduct which is certified annually by all employees to encourage ethical behaviour as well as to highlight possible ethical threats which could be faced by employees. This encompasses a wide variety of areas of behaviour including anti-bribery training, commercial sensitivity and appropriate workplace conduct among others.

The company maintains high standards of expected conduct for its employees and has clearly defined procedures for its employees to report any concerns internally.

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**

The company seeks to conduct business operations in a sustainable manner which helps create a better future for the environment.

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 2020 the company had a carbon footprint of 121.05 tCO<sub>2</sub>e using a location-based approach. This is down 43% from 213.73 tCO<sub>2</sub>e in 2019. The reduced carbon footprint is welcomed. However, we recognise that some of this improvement is due to the impact of COVID-19 and the related government restrictions, which have meant the majority of the workforce working from home for much of the year.

##### ***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. This includes emissions during both the current year, and our previous year (which was not included in our 2019 report). This is for the sake of comparison and is not mandatory for the first year of reporting under SECR.

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 2019 and 2020 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 2020

#### 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. 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

In 2020 the company consumed 517,950.48 kWh of energy and had an adjusted footprint of 121.05 tCO<sub>2</sub>e, a decrease of 92.68 tCO<sub>2</sub>e compared to the previous year.

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	Natural Gas	Transport - Diesel		Transport - Petrol		Refrigerants
	kWh	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh
2019	N/A	104,563.57	25.58	14,787.04	3.46	N/A
2020	N/A	41,722.00	10.04	5,547.37	1.27	N/A

Table 1: Scope 1 Emissions

Table 2 shows our Scope 2 emissions, based on the electricity we consume. These have been calculated using both a location-based methodology, in line with the average UK grid energy mix in the UK; as well as the market-based methodology, which reflects the contractual emission factors of the electricity providers with specific information regarding the origin of electricity and associated GHG intensity.

Scope 2	Electricity kWh	tCO <sub>2</sub> e (location)	tCO <sub>2</sub> e (market)
2019	618,220.15	158.02	0.57
2020	436,130.41	101.68	0.45

Table 2: Scope 2 Emissions

Table 3 shows our Scope 3 emissions, including energy consumed through use of rental or personal cars. These have been calculated using the relevant emission factors from the Department of Business, Energy & Industrial Strategy.

Scope 3	Transport - Diesel		Transport - Petrol	
	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e
2019	41,441.98	10.14	70,762.19	16.54
2020	12,801.95	3.08	21,748.76	4.98

Table 3: Scope 3 Emissions

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

tCO <sub>2</sub> e	Scope 1	Scope 2 (location)	Scope 2 (market)	Scope 3	Total (location)	Total (market)
2019	29.04	158.02	0.57	26.68	213.73	56.28
2020	11.31	101.68	0.45	8.06	121.05	19.82

Table 4: Total carbon emissions

# UNIVERSAL MUSIC OPERATIONS LIMITED

## STRATEGIC REPORT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### ENERGY & CARBON REPORTING STATEMENT (continued)

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
2019	119,350.61	618,220.15	112,204.17	849,774.93
2020	47,269.37	436,130.41	34,550.71	517,950.48

Table 5: Total kWh energy

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

Intensities	Location-based	Market-based
	tCO <sub>2</sub> e /sqft	tCO <sub>2</sub> e /sqft
2019	0.0027	0.0007
2020	0.0015	0.0003

Table 6: Intensity ratio (tCO<sub>2</sub>e/sqft)

#### Energy efficiency actions

The company operates from an office at 4 Pancras Square, alongside other companies within the Universal Music UK Group.

Universal Music UK makes a conscious effort to incorporate energy efficiency measures in site refurbishments or when moving operations to new sites. Specifically, in June 2018 Universal Music UK moved into 4 Pancras Square, a new and more energy-efficient building, which is scored as a BREEAM Outstanding building. Below are some of the features which provide significant energy savings:

- Site orientation, solar shading, and use of thermal mass for cooling and passive ventilation;
- Water-saving and recycling technologies;
- An on-site Energy Centre which meets almost 100% of the site's heat demand, and it is made up of gas fired Combined Heat and Power which supplies the site's hot water;
- Heating and cooling pumps which circulate heated/cooled air, varying their speed and volume supplied based on demand;
- Water meters are installed to record the amount of water used in each area and identify water savings where possible;
- Toilets are fitted with dual flush mechanisms to limit the amount of water wasted when flushing; and
- Basin taps have air mixed with water to use less water than a normal tap.

#### 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-in process completed in 2017.

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### ***Liquidity risk***

The company manages liquidity via intercompany loans. It is part of the cash management policy of its intermediate parent company, Vivendi SE, 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 has taken various steps to ensuring that there have been no significant disruptions to business, 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.

#### ***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.

#### ***Climate change***

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

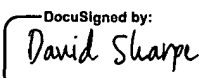
**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**STRATEGIC REPORT (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**FUTURE DEVELOPMENTS**

On 13 February 2021 the company's indirect majority shareholder, Vivendi SE, announced its intention to distribute 60% of the share capital of Universal Music Group ("UMG") to Vivendi shareholders in the form of an exceptional distribution ("special dividend"). Additionally, a Vivendi SE press release on 18 May 2021 stated that the listing of the shares of Universal Music Group N.V., the holding company of the UMG Group, is intended to be applied for on the regulated market of Euronext NV in Amsterdam, with the listing expected on September 27, 2021 at the latest. The Vivendi SE press release of 18 May 2021 further noted that prior to the distribution of 60% of the UMG shares to Vivendi SE shareholders, the Vivendi group is analysing the opportunity to sell 10% of UMG shares to an American investor or initiating a public offering of at least 5% and up to 10% of UMG shares. The directors do not anticipate any significant change in the activities and results of the company in the foreseeable future due to this transaction.

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

DocuSigned by:  
  
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DRJ Sharpe  
Director

Date: 27 May 2021

# UNIVERSAL MUSIC OPERATIONS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2020.

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. Vivendi SE, headed by Bolloré Group, the ultimate parent undertaking, maintains a Directors & Officers Liability Programme which indemnifies directors' personal liabilities resulting from alleged wrongful acts committed in the line of their employment.

#### POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. During 2020, the company accelerated payment processes to support suppliers during COVID-19.

#### DONATIONS

During the year the company made the following contributions:

	2020 £	2019 £
Charitable donations	543,000	280,000

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

# UNIVERSAL MUSIC OPERATIONS LIMITED

## DIRECTORS' REPORT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### GOING CONCERN (continued)

Having regard to the company's cash flow forecasts, and the intention and ability of Universal Music Group B.V. to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net current liabilities at 31 December 2020.

The directors have also considered the implications of the proposed listing, mentioned in the future developments section of the strategic report, and have concluded that it remains appropriate to prepare these financial statements on a going concern basis.

#### 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.

#### 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:

*Bola Abioye*

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A Abioye

Company Secretary

Date: 27 May 2021

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 2020**

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### **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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 25.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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## **UNIVERSAL MUSIC OPERATIONS LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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](http://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 2020**

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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, 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.

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.

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 2020

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#### Matters on which we are required to report by exception

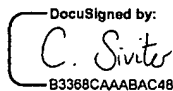
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### Use of our report

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

DocuSigned by:  
  
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Claire Siviter, FCA (Senior Statutory Auditor)

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

Date: 27 May 2021

Company Registration Number: 00950138

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Note</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>TURNOVER</b>	<b>4</b>	<b>547,359</b>	<b>434,135</b>
Cost of sales		<b>(339,223)</b>	<b>(305,135)</b>
<b>GROSS PROFIT</b>		<b>208,136</b>	<b>129,000</b>
Distribution costs		<b>(12,654)</b>	<b>(11,352)</b>
Administrative expenses		<b>(110,037)</b>	<b>(113,450)</b>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>85,445</b>	<b>4,198</b>
Income from participating interests	<b>8</b>	<b>75</b>	<b>2,347</b>
Interest receivable and similar income	<b>9</b>	<b>4,883</b>	<b>9,138</b>
Amounts written off of intercompany balances		<b>-</b>	<b>(12,215)</b>
Interest payable and similar charges	<b>10</b>	<b>(10,675)</b>	<b>(25,668)</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>79,728</b>	<b>(22,200)</b>
Tax on (profit)/loss	<b>11</b>	<b>(12,494)</b>	<b>1,440</b>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>67,234</b>	<b>(20,760)</b>
<b>Other comprehensive (expense)/income</b>			
Remeasurement of defined pension scheme		<b>(600)</b>	<b>700</b>
Tax on other comprehensive (expense)/income		<b>114</b>	<b>(119)</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>		<b>66,748</b>	<b>(20,179)</b>

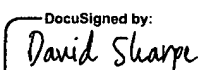
All of the activities of the company are classed as continuing operations.

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 2020**

	Note	2020 £'000	2019 £'000
<b>FIXED ASSETS</b>			
Intangible assets	12	73,919	77,914
Property, plant & equipment	13	53,801	57,907
Investments	14	34,822	19,722
		<u>162,542</u>	<u>155,543</u>
<b>CURRENT ASSETS</b>			
Inventories	15	4,252	3,717
Debtors: Amounts falling due within one year	16	2,107,872	2,029,726
		<u>2,112,124</u>	<u>2,033,443</u>
<b>CREDITORS: Amounts falling due within one year</b>	17	<u>(2,134,317)</u>	<u>(2,112,462)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(22,193)</u>	<u>(79,019)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>140,349</u>	<u>76,524</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	18	(4,604)	(4,927)
Provisions for liabilities and charges	19	<u>(25,567)</u>	<u>(28,617)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>110,178</u>	<u>42,980</u>
Defined benefit pension scheme liability	20	<u>(1,941)</u>	<u>(1,491)</u>
<b>NET ASSETS</b>		<u>108,237</u>	<u>41,489</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	24	15	15
Profit and loss account		<u>108,222</u>	<u>41,474</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>108,237</u>	<u>41,489</u>

These accounts were approved by the board of directors and authorised for issue on 27 May 2021 and are signed on their behalf by:

DocuSigned by:  
  
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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 2020**

	Note	Called-up share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance brought forward at 1 January 2019		15	61,653	61,668
<b>Total comprehensive expense for the year</b>				
Loss for the year		-	(20,760)	(20,760)
Other comprehensive income	20	-	581	581
Balance at 1 January 2020		15	41,474	41,489
<b>Total comprehensive income for the year</b>				
Profit for the year		-	67,234	67,234
Other comprehensive expense	20	-	(486)	(486)
<b>Balance carried forward at 31 December 2020</b>		<b>15</b>	<b>108,222</b>	<b>108,237</b>

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 2020

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#### 1. GENERAL INFORMATION

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

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 2 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, Vivendi SE, copies of which can be obtained from 42 Avenue de Friedland, 75380 Paris, Cedex 08, France.

##### **Other qualifying exemptions**

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

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Having regard to the company's cash flow forecasts, and the intention and ability of Universal Music Group B.V. to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net current liabilities at 31 December 2020.

The directors have also considered the implications of the proposed listing, mentioned in the future developments section of the strategic report, and have concluded that it remains appropriate to prepare these financial statements on a going concern basis.

##### **Turnover**

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

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

##### **Income from participating 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
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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.



# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 3. ACCOUNTING POLICIES (continued)

##### **Intangible assets (continued)**

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.

##### **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 2020**

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#### **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 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 2020**

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#### **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 Vivendi SE; the Universal Music Group Pension Scheme ("UMGPS" or "the Scheme"). The Scheme is a mixed defined benefit and defined contribution Scheme and operates on a pre-funded basis.

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

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

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

##### ***Provisions***

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

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

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **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 2020**

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#### **3. ACCOUNTING POLICIES (continued)**

##### **Critical accounting judgements and key sources of estimation uncertainty**

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

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

##### **Critical judgements in applying the company's accounting policies**

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

##### **Key sources of estimation uncertainty**

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

##### ***Impairment of intangible assets***

The directors assess intangible assets for indicators of impairment at each reporting date. This involves reviewing recent financial performance as well as financial forecasts, the preparation of which involves an element of estimation. The carrying value of the assets potentially subject to this uncertainty is disclosed in note 12.

##### ***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 19. 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 19. The value of the provision is an estimate and the actual costs and timing of cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

##### ***Defined benefit pension valuation***

The company participates in a defined benefit pension scheme as disclosed in note 20. A pension valuation has been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality.

##### ***Artist advance provisions***

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

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**4. TURNOVER**

**Turnover by activity is as follows:**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Product sales	<b>251,169</b>	235,312
Royalties	<b>296,190</b>	198,823
	<b><u>547,359</u></b>	<b><u>434,135</u></b>

**Turnover by destination is as follows:**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	<b>301,591</b>	280,007
Rest of Europe	<b>89,598</b>	56,922
United States of America	<b>104,878</b>	64,384
Rest of World	<b>51,292</b>	32,822
	<b><u>547,359</u></b>	<b><u>434,135</u></b>

**5. OPERATING PROFIT**

**Operating profit is stated after charging/(crediting):**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amortisation of intangible assets	<b>3,995</b>	684
Depreciation of owned fixed assets	<b>5,457</b>	5,175
Auditor's remuneration	<b>300</b>	301
Non audit fees	<b>48</b>	41
Cost of inventories recognised as an expense	<b>14,747</b>	15,252
Impairment of inventories	<b>857</b>	1,674
<b>Operating lease costs:</b>		
- Land and buildings	<b>13,149</b>	12,583
Net gain on foreign currency translation	<b>(384)</b>	(347)

The company also incurred costs in respect of audit services on behalf of other group entities amounting to £101,100 (2019 - £99,400). Non audit fees of £48,000 (2019 - £41,000) were incurred relating to interim review reporting.

**6. PARTICULARS OF EMPLOYEES**

The company had no employees during the year ended 31 December 2020 (2019 - none).

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**7. DIRECTORS' REMUNERATION**

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

	2020 £'000	2019 £'000
Aggregate emoluments	9,809	4,512
Company contributions to money purchase scheme	6	10
	<u>9,815</u>	<u>4,522</u>

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

Retirement benefits are accruing to one director (2019: one) under the defined contribution section of the Universal Music Master Trust (the "Master Trust") arrangement.

Two directors (2019: 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:

	2020 £'000	2019 £'000
Director's emoluments	<u>8,012</u>	<u>2,954</u>

Two directors, one of whom was the highest paid director, exercised share options in the year and had no shares receivable under the group's long term incentive scheme (2019: none). The amounts receivable under the group's long-term performance scheme were £nil (2019: £nil).

**8. INCOME FROM PARTICIPATING INTERESTS**

	2020 £'000	2019 £'000
Income from participating interests	<u>75</u>	<u>2,347</u>

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2020 £'000	2019 £'000
Interest receivable from group undertakings	<u>4,883</u>	<u>9,138</u>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**10. INTEREST PAYABLE AND SIMILAR CHARGES**

	2020 £'000	2019 £'000
Interest on pension obligation	2,400	3,100
Expected return on pension scheme assets	(2,400)	(3,000)
Interest payable to group undertakings	10,675	25,568
	<u>10,675</u>	<u>25,668</u>

**11. TAX ON PROFIT/(LOSS)**

**(a) Analysis of tax charge/(credit) in the year**

	2020 £'000	2019 £'000
<b>Current tax:</b>		
<b>UK Taxation</b>		
In respect of the year		
UK Corporation tax on profit for the year	140	-
Adjustments in respect of previous years	(413)	1,915
Group relief receivable for losses surrendered to other group undertakings	13,125	(5,568)
Double taxation relief	(140)	-
Foreign tax on current income for the year	140	66
Total current tax	<u>12,852</u>	<u>(3,587)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	2,876	2,299
Adjustments in respect of prior periods	(3,234)	(152)
Total deferred tax	<u>(358)</u>	<u>2,147</u>
Tax on profit/(loss) on ordinary activities	<u>12,494</u>	<u>(1,440)</u>



**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**11. TAX ON PROFIT/(LOSS) (continued)**

**(b) Factors affecting tax charge/(credit)**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2019 - 19%).

Under the Finance Act 2016, the main rate of corporation tax was reduced from 19% to 17% effective from 1 April 2020. However, a change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. 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. An increase to the main rate of corporation tax to 25% for large businesses was announced in the Spring Budget but has not yet been substantively enacted.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) before taxation	<b>79,728</b>	<b>(22,200)</b>
Profit/(loss) at the standard rate of UK Corporation tax of 19.00% (2019 - 19.00%)	<b>15,148</b>	<b>(4,218)</b>
Expenses not deductible for tax purposes	<b>830</b>	<b>1,504</b>
Adjustments in respect of previous periods	<b>(3,647)</b>	<b>1,763</b>
Double tax relief	<b>(140)</b>	<b>-</b>
Foreign tax suffered in the period	<b>140</b>	<b>66</b>
Impact of statutory rate change	<b>163</b>	<b>(270)</b>
Movement in timing differences	<b>-</b>	<b>(285)</b>
Current tax charge/(credit) for the financial year	<b>12,494</b>	<b>(1,440)</b>

**12. INTANGIBLE FIXED ASSETS**

	<b>Catalogue asset £'000</b>
<b>COST</b>	
At 1 January 2020 & 31 December 2020	<b>78,598</b>
<b>AMORTISATION</b>	
At 1 January 2020	<b>(684)</b>
Charge for the year	<b>(3,995)</b>
<b>At 31 December 2020</b>	<b>(4,679)</b>
<b>NET BOOK VALUE</b>	
At 31 December 2020	<b>73,919</b>
At 31 December 2019	<b>77,914</b>

The catalogue asset is being amortised over a 20 year period with 18 years and 10 months of amortisation remaining as at 31 December 2020.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**13. PROPERTY, PLANT & EQUIPMENT**

	<b>Leasehold improvements £'000</b>	<b>Plant &amp; machinery £'000</b>	<b>Total £'000</b>
<b>COST</b>			
At 1 January 2020	58,930	8,239	67,169
Additions	962	389	1,351
<b>At 31 December 2020</b>	<b>59,892</b>	<b>8,628</b>	<b>68,520</b>
<b>DEPRECIATION</b>			
At 1 January 2020	5,274	3,988	9,262
Charge for the period	4,367	1,090	5,457
<b>At 31 December 2020</b>	<b>9,641</b>	<b>5,078</b>	<b>14,719</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2020</b>	<b>50,251</b>	<b>3,550</b>	<b>53,801</b>
At 31 December 2019	53,656	4,251	57,907

**14. INVESTMENTS**

	<b>Shares in subsidiaries £'000</b>
<b>COST</b>	
At 1 January 2020	36,904
Additions	15,100
<b>At 31 December 2020</b>	<b>52,004</b>
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 January 2020 and at 31 December 2020	17,182
<b>NET BOOK VALUE</b>	
<b>At 31 December 2020</b>	<b>34,822</b>
At 31 December 2019	19,722

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**14. INVESTMENTS (continued)**

**Subsidiary undertakings**

The subsidiaries of Universal Music Operations Limited as at 31 December 2020 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.

<b>Name</b>	<b>Shareholding type</b>	<b>%</b>	<b>Principal activity</b>
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
Closer Recordings Limited	Ordinary	51%	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
Universal Music (WT) 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 400 of the Companies Act 2006.

**15. INVENTORIES**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	<b>4,252</b>	<b>3,717</b>

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 2020**

**16. DEBTORS: Amounts due within one year**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Trade debtors	<b>13,668</b>	16,531
Amounts due from group undertakings	<b>1,951,831</b>	1,884,703
Corporation tax	<b>496</b>	496
VAT recoverable	<b>2,778</b>	7,079
Other debtors	<b>70,555</b>	68,031
Prepayments	<b>4,417</b>	3,872
Accrued income	<b>64,127</b>	49,014
	<b><u>2,107,872</u></b>	<b><u>2,029,726</u></b>

Within amounts due from group undertakings, £1,022,703,000 (2019: £1,029,151,000) is due from parent companies, £11,748,000 (2019: £11,999,000) is due from subsidiary companies and £917,380,000 (2019: £843,553,000) 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.

At 31 December 2020 £22,492,000 (2019 - £32,995,000) is included within other debtors relating to advances due in more than 1 year.

**17. CREDITORS: Amounts falling due within one year**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Bank loans and overdrafts	<b>2,543</b>	3,415
Trade creditors	<b>148,318</b>	138,314
Amounts owed to group undertakings	<b>1,903,650</b>	1,899,660
Other taxation and social security	<b>8,466</b>	3,526
Other creditors	<b>1,773</b>	592
Accruals	<b>59,347</b>	62,837
Deferred income	<b>10,220</b>	4,118
	<b><u>2,134,317</u></b>	<b><u>2,112,462</u></b>

Within amounts owed to group undertakings, £441,836,000 (2019: £632,881,000) is owed to parent companies, £19,802,000 (2019: £6,179,000) is owed to subsidiary companies, and £1,442,012,000 (2019: £1,260,600,000) is owed to other group companies.

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. They are unsecured and interest rates are linked to LIBOR.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**18. DEFERRED TAXATION**

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

	2020 £'000	2019 £'000
Balance brought forward	4,927	2,691
Balance brought forward deferred tax on pension liability	309	340
Exclude deferred tax asset included in defined benefit pension scheme liability note	(459)	(309)
Charge to deferred taxation on defined benefit pension scheme movement in the year	150	(31)
Deferred taxation on ordinary activities account movement arising during the year	(323)	2,236
	<u>4,604</u>	<u>4,927</u>
Balance carried forward	<u>4,604</u>	<u>4,927</u>

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

	2020 £'000	2019 £'000
Excess of depreciation over taxation allowances	1,156	565
Other timing differences	3,448	4,362
	<u>4,604</u>	<u>4,927</u>

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

	2020 £'000	2019 £'000
Included in the statement of financial position	4,604	4,927
Included in defined benefit pension scheme liability (note 20)	(459)	(309)
	<u>4,145</u>	<u>4,618</u>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**19. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Artist royalties</b>	<b>Other provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	14,708	13,909	<b>28,617</b>
Movement arising during the year	2,520	(5,570)	<b>(3,050)</b>
<b>At 31 December 2020</b>	<b>17,228</b>	<b>8,339</b>	<b>25,567</b>

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.

**20. PENSIONS AND OTHER POST RETIREMENT BENEFITS**

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

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

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

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

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

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**20. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)**

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

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

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

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

During 2019 the company has committed to a buy-out process which is likely to be completed in 2021.

The results of the 5 April 2015 valuation have been updated to 31 December 2020 for FRS 102 purposes. The valuation update showed that the deficit increased to £2,400,000, with the market value of the assets being £127,500,000 and the liabilities £129,900,000.

The company's total contributions amounted to £Nil for the year ended 31 December 2020 (2019 - £Nil).

**Movements in the present value of defined benefit obligation:**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Defined benefit obligation at beginning of the year	<b>123,700</b>	113,000
Costs (excluding interest):		
Interest expense	<b>2,400</b>	3,100
Cash flows:		
Benefit payment from plan assets	<b>(5,100)</b>	(2,700)
Remeasurements:		
Effect of changes in assumptions	<b>8,400</b>	12,100
Effect of experience adjustments	<b>500</b>	(1,800)
Defined benefit obligation at end of year	<b><u>129,900</u></b>	<u>123,700</u>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**20. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)**

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Fair value of plan assets at beginning of the year	<b>121,900</b>	111,000
Interest income	<b>2,400</b>	3,000
Cash flows:		
Benefit payments from plan assets	<b>(5,100)</b>	(2,700)
Administrative expenses paid from plan assets	-	(400)
Remeasurements		
Return on plan assets (excluding interest income)	<b>8,300</b>	11,000
Fair value of plan assets at end of year	<b>127,500</b>	121,900

**Amounts recognised in the statement of financial position:**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Defined benefit obligation	<b>129,900</b>	123,700
Fair value of plan assets	<b>(127,500)</b>	(121,900)
Net defined benefit liability	<b>2,400</b>	1,800
Closing deferred tax balance	<b>(459)</b>	(309)
Net defined benefit liability after taxation	<b>1,941</b>	1,491

**Defined benefit obligation:**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Defined benefit obligation by participant status		
Vested deferred	<b>77,000</b>	73,200
Retirees	<b>52,900</b>	50,500
<b>Total</b>	<b>129,900</b>	123,700



**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**20. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)**

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Current service costs:		
Interest expense on DBO	<b>2,400</b>	3,100
Interest income on plan assets	<b>(2,400)</b>	(3,000)
<b>Total net interest cost</b>	<b>-</b>	100
Administrative expenses and/or taxes (not reserved within DBO)	<b>-</b>	500
<b>Cost relating to defined benefit plans included in profit and loss</b>	<b>-</b>	600

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

Remeasurements:		
Effect of change in assumptions	<b>8,400</b>	12,100
Effect of experience adjustments	<b>500</b>	(1,800)
Return on plan assets (excluding interest income)	<b>(8,300)</b>	(11,000)
<b>Total remeasurements included in other comprehensive income/(expense)</b>	<b>600</b>	(700)
Total taxation included in other comprehensive income/(expense)	<b>(114)</b>	119
<b>Cost relating to defined benefit plans recognised in other comprehensive income/(expense)</b>	<b>486</b>	(581)

**Analysis of the scheme assets at the reporting date:**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Fair value of plan assets:		
Cash and cash equivalents	<b>100</b>	200
Other	<b>127,400</b>	121,700
<b>Total</b>	<b>127,500</b>	121,900
Actual return on plan assets	<b>10,700</b>	14,000

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**20. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)**

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

	2020 %	2019 %
Discount rate	1.50	2.00
Price inflation rate (CPI)	2.70	2.25
Price inflation rate (RPI)	3.10	3.25
Deferred pension increase rate	3.00	3.25
Post mortality assumption	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement

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

	2020 %	2019 %
Discount rate	2.00	2.75
Salary increase rate	n/a	3.50
Price inflation rate (CPI)	2.25	2.50
Price inflation rate (RPI)	3.25	3.50
Deferred pension increase rate	3.25	3.50
Post mortality assumption	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement	S1NA "light" tables, 2011 CMI projections with a 2.0% p.a. long term improvement

Expected total benefit payments:

Year 1	Year 2	Year 3	Year 4	Year 5	Next 5 years
£'000	£'000	£'000	£'000	£'000	£'000
5,200	5,400	5,600	5,700	5,900	32,500

With effect from 31 March 2011, the defined benefit section of the scheme closed to future accrual. Past service benefits remain linked to the final salary for active members of the scheme who accrued defined benefits up to or after 1 October 2005. The participating employers to the scheme agreed to contribute a minimum amount per annum, plus the cost of administration expenses and death in service insurance premiums. The company's share of this amounted to £Nil in 2020 (2019 - £Nil). The company expects to contribute £Nil in 2021.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**21. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2020 the company had annual commitments under non-cancellable operating leases as set out below.

	<b>Land and buildings</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Operating leases which expire:		
Within 1 year	<b>13,875</b>	13,875
Between 1 and 5 years	<b>55,501</b>	55,501
After 5 years	<b>86,721</b>	100,596
	<b><u>156,097</u></b>	<b><u>169,972</u></b>

**22. 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 £2,243,000 (2019 - £2,284,000). The company provides administrative services and during the year collected and remitted revenue of £212,000 (2019 - £234,000) to Naughty Records Limited. For those administrative services the company charged a distribution fee of £8,000 (2019 - £10,000).

Amounts due from Closer Recordings Limited of £1,465,000 (2019 - £1,447,000). The company provides administrative services and during the year collected and remitted revenue of £195,000 (2019 - £118,000) to Closer Recordings Limited. For those administrative services the company charged a distribution fee of £10,000 (2019 - £6,000).

Amounts due from Future Records Limited of £4,318,000 (2019 - £4,370,000).

Amounts due from Global Talent Music Recordings Limited of £257,000 (2019 - £474,000).

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 (2019 - £362,000).

**23. ARTIST ADVANCE COMMITMENTS**

At 31 December 2020 the company had contractual commitments in respect of artist advances of £56,724,000 (2019 - £44,610,000), of which £28,027,000 (2019 - £25,286,000) relate to the next financial year.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**24. CALLED-UP SHARE CAPITAL AND RESERVES**

Allotted, called up and fully paid:

	2020		2019	
	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.

**25. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Universal Music Leisure Limited. The ultimate parent undertaking and controlling party as at 31 December 2020 was Bolloré Group.

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

42 Avenue de Friedland  
 75380 Paris  
 Cedex 08  
 France

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

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