

COMPANY REGISTRATION NUMBER 03038275

UMG SUPPLY CHAIN LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



UMG SUPPLY CHAIN LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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UMG SUPPLY CHAIN LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

SL Carmel
P Jassal
BJ Muir

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

4 Pancras Square
London, UK
N1C 4AG

AUDITOR

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

UMG SUPPLY CHAIN LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for UMG Supply Chain Limited for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was provision of the physical and digital supply chain to Universal Music Group companies. The physical supply chain is responsible for manufacturing and distributing physical product including CD, DVD and Vinyl; the company also distributes physical product on behalf of distribution deal partners. The digital supply chain maintains a number of digital platforms used by Universal Music Group companies. The cost of products and services are recharged to Universal Music Group companies at agreed prices based on usage levels.

The result of the company for the year ended 31 December 2019 and its position as at that date are set out in the profit and loss account, statement of financial position and statement of changes in equity on pages 13, 14 and 15 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 €1,111,069 (2018 - loss €9,518,000). The 2019 profit includes additional Transfer Price adjustments invoiced to other UMG Group Companies, €7,026,771 relating to 2018 and €3,152,936 relating to 2019. 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 2019 (2018 - €Nil).

KEY PERFORMANCE INDICATORS

The company uses a variety of performance indicators to review historical performance and plan for the future. The key indicators are turnover and gross profit margin, as described below. The equity shareholders deficit accounted for €37,155,000 as at 31 December 2019 (31 December 2018 - €38,266,000). The company does not review balance sheet KPIs.

Turnover

Turnover levels were maintained in 2019, with an increase of 0.08% compared to the prior year. The outlook for future years appear positive based on increasing demand for streaming services.

Gross profit margin

The company's gross profit margin increased from 16.2% to 25.7% this year. This was the result of both product mix and strong cost controls maintained by the company.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Exchange rate risk

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

Interest rate risk

The company does not have any significant external borrowing and as such the directors consider the interest rate risk to be minimal at this stage.

UMG SUPPLY CHAIN LIMITED

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

Liquidity risk

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

Credit Risk

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to the survival of independent music retailers;
- the threat of a devalued product due to piracy and the illegal use of music;
- uncertainty as to whether the growth in subscription services can replace the decline in the physical and download market;
- interest rate fluctuations;

On 31 January 2020 the United Kingdom (UK) left the European Union (EU) and is in the process of negotiating a future relationship with the EU. The directors of the company continue to monitor the possible impact that this may have on the business in the various negotiations that may happen and the UK's future relationship with the European Union. The directors do not consider leaving the EU to represent a significant risk to the company's operations

On 11 March 2020 the World Health Organization labelled the public health emergency situation caused by the coronavirus (Covid-19) outbreak a global pandemic. The rapid escalation of events, in both the United Kingdom and worldwide, is resulting in an unprecedented health crisis that will have an impact on the macroeconomic environment and business evolution. To tackle the issue, the United Kingdom issued orders to stay at home, closed certain businesses and venues, prohibited public gatherings, and other guidelines.

UMG Group has responded to this in a variety of ways to ensure minimal disruptions to customers and the wellbeing of employees as far as possible. Most of its staff are currently working from home, except for essential staff that must be in the office.

The Company has assessed the risk of Covid-19 on UMG Supply Chain Limited figures. The Company expects to see a reduction in physical sales for the remaining months in 2020, based on lower volumes of sales directly to third party retailers, and lower volumes of shipments to our Intercompany Operating companies. The Company expects this to cause some erosion in margin in the physical business in 2020. The Company also expects there to be some uplift in obsolescence costs with stock manufactured before the pandemic not being sold as planned.

UMG Supply Chain expects an increase in digital streaming revenue, which should mitigate any reduction in the physical business at a Group level. UMG Supply Chain Limited as an internal service function will continue to be supported by Vivendi SE, refer to going concern assessment in Directors' report, page 8.

All risks and uncertainties are regularly monitored by the board of directors of the company.

UMG SUPPLY CHAIN LIMITED

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

STATEMENT 172 – DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefits of its members as a whole, and in doing so have regard (amongst other matters) to factors (a) to (f).

a) the likely consequences of any decision in the long term:

UMG Supply Chain Limited is a part of the Universal Music Group. Decisions made relating to the company feed into group wide strategies on how best to engage with customers and artists as well deliver services in a cost effective manner. The company's primary purpose is to distribute Physical product and Digital services to other UMG Group Companies.

The decisions of the directors are driven by this wider group strategy and how the company can best provide support to deliver that strategy. The directors remain conscious of any decisions taken which impact the company and how that relates to wider strategic goals of the group, as the company's ability to fulfil the requirements and aims of the group is considered to be the way in which the company creates long term value.

b) the interests of the company's employees:

Employees within the company are regularly surveyed using anonymous online surveys to gather data on their views on the company's activities including any suggestions on how the working environment could be improved. Any actions or results from these surveys are subsequently communicated across all employees, and are subsequently tracked to share the ongoing work which has been done to respond to employee feedback.

The company has an ongoing and continuously developing programme of learning and development opportunities. These are regularly communicated across the business to all employees to encourage professional development. This includes investment in company wide training on mental health as well as unconscious bias to ensure the company's workforce is a welcoming and inclusive one.

c) the need to foster the company's business relationships with suppliers, customers and others:

The company's key customers are other entities within Universal Music Group, to which the company provides products and services. The group's needs and requirements as to the nature and extent of those services is dynamic and the directors ensure that they remain live to these demands through how they feed into the wider group strategy, to ensure that the company continues to deliver a high standard of service.

Our processes and procedures are set up to ensure that suppliers are paid as promptly as possible within agreed payment terms while taking appropriate measures to protect the company's own assets.

d) the impact of the company's operations on the community and the environment:

Through its owner, the Vivendi Group, Universal Music Group has a commitment under the French law to report on all policies and activity across social, societal and environmental contributions, the report is drawn up with a global focus and is audited annually by EY before key indicators are published in the Vivendi Annual Report.

UMG plays a key role in local communities across the globe, our executives review and assess the communities we work in and create tailored programmes. These include local education programmes, staff outreach via uTalks hosted at schools and universities, partnerships with and sponsorship of creative or industry skills-based secondary schools, paid internships, work experience opportunities and multiple charitable campaigns. Our policy is to ensure access and support for marginalised groups and those held back through socio-economic constraints.

UMG's focus is on youth, music and a positive lifestyle but, as each country and every local community is different, our leaders are enfranchised to create relevant bespoke programmes. Engagement with local support groups, school governors, city councils, government ministers and the charity sector informs UMG's decision-making process and helps set our direct contribution in all regions.

UMG SUPPLY CHAIN LIMITED

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

The company is based at 4 Pancras Square, a building leased by Universal Music Operations Ltd. Much of the environmental impact of the company, and its mitigation, is therefore driven by the design and energy efficiency of the building itself.

e) the desirability of the company maintaining a reputation for high standards of business conduct:

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

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

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

f) the need to act fairly as between members of the company:

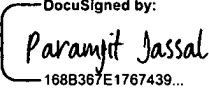
For the financial year of 2019 the company was 100% owned by EMI Group Limited. The results of the company are consolidated into the group headed by Vivendi SE. Transactions between the company and other members of the Vivendi group are carried out at arms length and on a commercial basis.

There is regular communication between the company's directors and the Vivendi group through financial reporting and through wider strategic decisions to ensure that the company's operations are conducted in a manner consistent with the needs of its shareholders.

FUTURE DEVELOPMENTS

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

By order of the board

DocuSigned by:

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P Jassal
Director

Date: 21 May 2020

UMG SUPPLY CHAIN LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

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

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

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are contained in note 18 to the financial statements

DIRECTORS

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

SL Carmel
P Jassal
BJ Muir

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

POLICY ON THE PAYMENT OF CREDITORS

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

DONATIONS

The company made no charitable or political donations in either year.

GOING CONCERN

The company has made a profit in 2019, and is in a net liabilities position. After making enquiries, 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared on the going concern basis as the company has received confirmation from Vivendi SE, the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements. Having regard to the company's cash flow forecast, and the intention and ability of Vivendi SE to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net current liabilities at 31 December 2019

UMG SUPPLY CHAIN LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

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.

By order of the board

DocuSigned by:

Bola Abioye

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A Abioye

Company Secretary

Date: 21 May 2020

Company Registration Number: 03038275

UMG SUPPLY CHAIN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMG SUPPLY CHAIN LIMITED

YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of UMG Supply Chain Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- profit and loss account;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

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 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.

UMG SUPPLY CHAIN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMG SUPPLY CHAIN LIMITED

(continued)

YEAR ENDED 31 DECEMBER 2019

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

UMG SUPPLY CHAIN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMG SUPPLY CHAIN LIMITED

(continued)

YEAR ENDED 31 DECEMBER 2019

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.

Matters on which we are required to report by exception

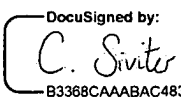
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 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, Southampton, United Kingdom.

Date: 21 May 2020

Company Registration Number: 03038275

UMG SUPPLY CHAIN LIMITED**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2019**

	Note	2019 €'000	2018 €'000
TURNOVER	4	125,821	125,718
Cost of sales		(93,544)	(105,332)
GROSS PROFIT		32,277	20,386
Administrative expenses		(29,885)	(30,936)
OPERATING PROFIT/(LOSS)	5	2,392	(10,550)
Interest receivable and similar income		-	16
Interest payable and similar expenses	9	(983)	(1,185)
PROFIT/(LOSS) BEFORE TAXATION		1,409	(11,719)
Tax on profit /(loss)	10	(298)	2,202
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,111	(9,518)

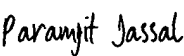
All of the activities of the company are classed as continuing operations.

The notes on pages 16 to 32 form part of these financial statements

UMG SUPPLY CHAIN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 €'000	2018 €'000
FIXED ASSETS			
Intangible assets	11	847	805
Tangible assets	12	2,869	3,391
		<u>3,716</u>	<u>4,196</u>
CURRENT ASSETS			
Inventories	13	14,453	20,461
Debtors: Amounts falling due within one year	14	39,300	35,377
		<u>53,752</u>	<u>55,838</u>
CREDITORS: Amounts falling due within one year	15	<u>(92,861)</u>	<u>(96,840)</u>
NET CURRENT LIABILITIES		<u>(39,109)</u>	<u>(41,002)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(35,392)</u>	<u>(36,806)</u>
PROVISIONS FOR LIABILITIES			
Provisions for liabilities and charges	17	(1,763)	(1,460)
NET LIABILITIES		<u>(37,155)</u>	<u>(38,266)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	-	-
Profit and loss account		<u>(37,155)</u>	<u>(38,266)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(37,155)</u>	<u>(38,266)</u>

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

DocuSigned by:

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P Jassal
 Director
 Date: 21 May 2020
 Company Registration Number: 03038275

The notes on pages 16 to 32 form part of these financial statements

UMG SUPPLY CHAIN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital €'000	Profit & loss account €'000	Total shareholders' deficit €'000
Balance brought forward 1 January 2018	-	(28,749)	(28,749)
Total comprehensive loss			
Loss for the financial year	-	(9,518)	(9,518)
	<hr/>	<hr/>	<hr/>
Balance brought forward 1 January 2019	-	(38,266)	(38,266)
Total comprehensive profit			
Profit for the financial year	-	1,111	1,111
	<hr/>	<hr/>	<hr/>
Balance carried forward at 31 December 2019	<hr/> - <hr/>	<hr/> (37,155) <hr/>	<hr/> (37,155) <hr/>

The notes on pages 16 to 32 form part of these financial statements

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

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

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 4 to 5.

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 Euros, 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 subsidiary 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 companies;
- 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.

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Going concern

The company's business activities, together with the factors likely to affect future developments, its financial exposures and its risk exposures are described in the strategic report.

The company has made a profit in 2019, and is in a net liabilities position. After making enquiries, 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared on the going concern basis as the company has received confirmation from Vivendi SE, the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the deficit on net current liabilities at 31 December 2019.

The Company has assessed the risk of Covid-19 on UMG Supply Chain Limited figures. The Company expects to see a reduction in Physical sales for the remaining months in 2020, based on lower volumes of sales directly to third party retailers, and lower volumes of shipments to our Intercompany Operating companies. The Company expects this to cause some erosion in margin in the Physical business in 2020. The Company also expects there to be some uplift in obsolescence costs with stock manufactured before the pandemic not being sold as planned.

Turnover

Turnover comprises the value of sales of physical goods 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.

Intangible assets

Intangible assets

Intangibles represent costs of preserving and conversion of analogue tapes into digital format for future use. Intangible assets are stated at cost less accumulated amortisation and less accumulated impairment losses.

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Other Intangibles - 3 - 5 years

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.

Goodwill and other 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.

Tangible Assets

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 life of lease
Plant & Machinery - 5-10 years straight-line
Software - 3-5 years 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.

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing loans borrowings classified as basic financial instruments

All interest-bearing loans and borrowings are initially recognised at net proceeds. Interest bearing debt is increased by the finance cost in respect of the reporting period and reduced by any settlement made. Interest is charged and earned on a fixed element of the debt at an arms length rate.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

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.

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Inventories (Stocks)

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the first-in first out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

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

Impairment excluding stocks and deferred tax assets

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.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stock and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Financial assets and liabilities

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

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

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

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

Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

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.

Financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges, unwinding of the discount on provisions, and net foreign exchange losses that are recognised through profit or loss in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

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

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 extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit.

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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised through profit or loss in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other profit and loss account.

UMG SUPPLY CHAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (continued)

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.

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 source of estimation uncertainty

The directors have concluded there are no key sources of estimation uncertainty to disclose.

UMG SUPPLY CHAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2019**

4. TURNOVER

Turnover by activity is as follows:

	2019 €'000	2018 €'000
Sales of Goods	109,208	93,835
Service Income	16,613	31,883
	<u>125,821</u>	<u>125,718</u>

Turnover by destination is as follows:

	2019 €'000	2018 €'000
United Kingdom	21,466	16,071
Rest of Europe	69,154	55,007
United States of America	21,780	42,650
Rest of World	13,420	11,990
	<u>125,821</u>	<u>125,718</u>

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2019 €'000	2018 €'000
Amortisation of intangible assets	523	523
Depreciation of owned fixed assets	620	640
Net (gain) on foreign currency translation	(1,083)	(823)
Cost of inventories recognised as expense	80,274	60,430
Other staff related expenses	11,155	12,015
	<u></u>	<u></u>

6. AUDITOR'S REMUNERATION

The auditor's remuneration for the year ended 31 December 2019 was €71,992 (2018 - €63,800) and was borne by UMGi in both years. Auditor's remuneration relates to the auditing of financial statements.

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

7. DIRECTORS' REMUNERATION

In 2019 the company had three directors (2018 - three). The emoluments of the directors are paid for by a fellow group company of the Universal Music Group. The relevant fellow subsidiary has not recharged any amount to the company (2018:nil).

8. PARTICULARS OF EMPLOYEES

The company had no employees during the year ended 31 December 2019 (2018 - none). Other staff related expenses in Note 5 represent cost of services provided to the company by staff provided and recharged by Universal Music Holdings Limited, a fellow group understanding.

The average number of staff employed by Universal Music Holdings Limited during the financial year amounted to:

	2019	2018
	No	No
Number of administrative staff	133	152
	=====	=====

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	€'000	€'000
Other finance charges	-	16
Interest payable to group undertakings	983	1,169
	=====	=====
	983	1,185
	=====	=====

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

10. TAX ON PROFIT/ (LOSS)

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

	2019	2018
	€'000	€'000
Current tax:		
Adjustments in respect of previous years	1,335	-
Group relief payable/(receivable) for losses claimed from/surrendered to other group undertakings	(1,021)	(2,193)
Total current tax	314	(2,193)
Deferred tax:		
Origination and reversal of timing differences	(16)	(9)
Total deferred tax	(16)	(8)
Tax on profit/(loss)	298	(2,202)

(b) Factors affecting tax charge

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

Under the Finance (No.2) Act 2015, the main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2019. Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the corporation tax rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	2019	2018
	€'000	€'000
Profit/(Loss) before taxation	1,409	(11,719)
Profit/(Loss) at the standard rate of UK Corporation tax of 19.00% (2018 - 19.00%)	268	(2,227)
Expenses not deductible for tax purposes	(1,307)	24
Adjustments in respect of previous periods	1,335	-
Impact of statutory rate change	2	1
Current tax charge/(credit) for the financial year	298	(2,202)

(c) Factors that may affect future tax charges

The company has a total unutilised tax losses carried forward estimated at €Nil (2018 - €Nil), which may reduce future tax charges.

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

11. INTANGIBLE ASSETS

	Other Intangible €'000	Total €'000
COST		
At 1 January 2019	2,288	2,288
Additions	564	564
At 31 December 2019	2,852	2,852
AMORTISATION		
At 1 January 2019	1,482	1,482
Charge for the year	523	523
At 31 December 2019	2,005	2,005
NET BOOK VALUE		
At 31 December 2019	847	847
At 31 December 2018	806	806

Intangible assets relate to digital preservation of physical assets.

UMG SUPPLY CHAIN LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2019****12. TANGIBLE ASSETS**

	Leasehold Improvements €'000	Plant & Machinery €'000	Software €'000	Total €'000
COST				
At 1 January 2019	2,094	1,324	982	4,400
Additions	70	29	-	99
At 31 December 2019	2,164	1,353	982	4,499
DEPRECIATION				
At 1 January 2019	179	236	594	1,009
Charge for the year	123	170	327	620
At 31 December 2019	302	406	921	1,629
NET BOOK VALUE				
At 31 December 2019	1,862	947	60	2,869
At 31 December 2018	1,915	1,088	388	3,391

13. INVENTORIES

	2019 €'000	2018 €'000
Finished goods	14,453	20,461

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

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

14. DEBTORS: Amounts due within one year

	2019 €'000	2018 €'000
Trade debtors	332	382
Amounts owed from fellow subsidiaries	34,013	29,722
Other taxation and social security	404	171
VAT recoverable	3,220	3,379
Prepayments and accrued income	1,331	1,723
	<u>39,300</u>	<u>35,377</u>

All amounts owed from fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

15. CREDITORS: Amounts falling due within one year

	2019 €'000	2018 €'000
Bank loans and overdrafts	3	-
Trade creditors	9,584	11,909
Amounts owed to fellow subsidiaries	74,548	75,423
Accruals and deferred income	8,727	9,508
	<u>92,861</u>	<u>96,840</u>

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

16. DEFERRED TAXATION

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

	2019 €'000	2018 €'000
Balance brought forward	(66)	(74)
Utilised in the year	16	8
Balance carried forward	<u>(50)</u>	<u>(66)</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Other provisions €'000	Total €'000
At 1 January 2019	1,460	1,460
At 31 December 2019	<u>1,763</u>	<u>1,763</u>

	Other provisions €'000	Total €'000
At 1 January 2019	1,460	1,460
Profit and loss account movement arising during the year	303	303
At 31 December 2019	<u>1,763</u>	<u>1,763</u>

The other provisions amount represents provisions for the restructuring of the French digital office.

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

18. POST BALANCE SHEET EVENTS

On the 11th March 2020 the World Health Organization labelled the public health emergency situation caused by the coronavirus (Covid-19) outbreak a global pandemic. The rapid escalation of events, in both the United Kingdom and worldwide, is resulting in an unprecedented health crisis that will have an impact on the macroeconomic environment and business evolution. To tackle the issue, the United Kingdom issued orders to stay at home, closed certain businesses and venues, prohibited public gatherings, and other guidelines.

UMG Group has responded to this in a variety of ways to ensure minimal disruptions to customers and the wellbeing of employees as far as possible. Most of its staff are currently working from home, except for essential staff that must be in the office.

The Company has assessed the risk of Covid-19 on UMG Supply Chain Limited figures. The Company expects to see a reduction in physical sales for the remaining months in 2020, based on lower volumes of sales directly to third party retailers, and lower volumes of shipments to our Intercompany Operating companies. The Company expects this to cause some erosion in margin in the physical business in 2020. The Company also expects there to be some uplift in obsolescence costs with stock manufactured before the pandemic not being sold as planned.

19. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2019 or 31 December 2018.

20. CALLED UP SHARE CAPITAL

Authorised:

	2019		2018	
	No	€'000	No	€'000
Ordinary shares of £1 each	100	-	100	-
	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

Allotted, called up and fully paid:

	2019		2018	
	No	€'000	No	€'000
Ordinary shares of £1 each	2	-	2	-
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

UMG SUPPLY CHAIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

21. ULTIMATE PARENT COMPANY

The immediate parent undertaking is EMI Group Limited. The ultimate parent undertaking and controlling party is 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:

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:

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