

COMPANY REGISTRATION NUMBER 3840597

UNIVERSAL MUSIC DIRECT LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014



UNIVERSAL MUSIC DIRECT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

CONTENTS	PAGES
Officers and professional advisers	1
Strategic report	2
Directors' report	3 to 4
Independent auditor's report to the members	5 to 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 to 14

UNIVERSAL MUSIC DIRECT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

RM Constant
A Brown
BJ Muir

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

364-366 Kensington High Street
London
W14 8NS

AUDITOR

Ernst & Young LLP
Chartered Accountants
Statutory Auditor
1 More London Place
London
SE1 2AF

UNIVERSAL MUSIC DIRECT LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report for the company for the year ended 31 December 2014. During the year the company changed its name from Digital Stores Limited to Universal Music Direct Limited.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was the sale and distribution of artist music and merchandise. This activity is unlikely to change in the foreseeable future.

The result and position of the company as at and for the year ended 31 December 2014 are set out in the profit and loss account and balance sheet on pages 7 and 8 respectively. The result and position of the company were in line with directors' expectations.

RESULTS AND DIVIDENDS

During the year to 31 December 2014, the company made a loss before tax of £1,211,000 (9 months period to 31 December 2013 - £391,000).

The directors do not recommend the payment of a dividend (Period to Dec 2013 - £nil).

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 other major and independent record companies that market and distribute recorded music and video;
- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to 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 of the digital market can replace the decline in the physical market; and
- interest rate fluctuations.

All risks and uncertainties are regularly monitored by the Board of Directors of the company.

FUTURE DEVELOPMENTS

Notwithstanding the risks and uncertainties outlined below, 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



A Brown
Director

26 JUN 2015

UNIVERSAL MUSIC DIRECT LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements of the company for the year ended 31 December 2014.

DIRECTORS

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

RM Constant
A Brown
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 s236 CA 2006. Vivendi SA, 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.

Certain Directors benefited from qualifying third party indemnity provisions during the financial year.

DONATIONS

During the year, the company made no political or charitable contributions (9 months period to 31 December 2013 - £nil).

DIRECTORS' RESPONSIBILITIES

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

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

UNIVERSAL MUSIC DIRECT LIMITED

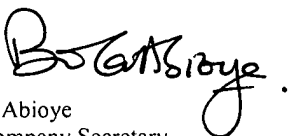
DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2014

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.

By order of the board


A Abioye
Company Secretary

26 JUN 2015

UNIVERSAL MUSIC DIRECT LIMITED

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

YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of Universal Music Direct Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

UNIVERSAL MUSIC DIRECT LIMITED

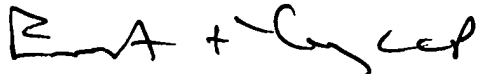
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC DIRECT LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2014

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Paul Gordon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London



Company Registration Number: 3840597

UNIVERSAL MUSIC DIRECT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year to 31 December 14 £'000	Period from 1 April 13 to 31 December 13 £'000
TURNOVER	2	2,874	2,557
Cost of sales		(2,428)	(2,101)
GROSS PROFIT		446	456
Administrative expenses		(1,595)	(810)
OPERATING LOSS	3	(1,149)	(354)
Interest payable and similar charges	5	(62)	(37)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,211)	(391)
Tax on loss on ordinary activities	6	—	—
LOSS FOR THE FINANCIAL YEAR		(1,211)	(391)

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

The company has no recognised gains or losses other than the results for the year as set out above.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The notes on pages 9 to 14 form part of these financial statements.

UNIVERSAL MUSIC DIRECT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Tangible assets	7	897	104
CURRENT ASSETS			
Stocks	8	714	234
Debtors	9	256	112
Cash at bank		—	1,614
		970	1,960
CREDITORS: Amounts falling due within one year	10	<u>4,320</u>	<u>3,306</u>
NET CURRENT LIABILITIES		(3,350)	(1,346)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,453)</u>	<u>(1,242)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11	1	1
Share premium account	12	712	712
Profit and loss account	12	(3,166)	(1,955)
DEFICIT	12	<u>(2,453)</u>	<u>(1,242)</u>

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

26 JUN 2015


A Brown

Company Registration Number: 3840597

The notes on pages 9 to 14 form part of these financial statements.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

The Company's intermediate holding company, Society d'Investissements et de Gestion 104 SAS, has indicated that it intends to provide the company with sufficient funding to enable it to meet its liabilities as they fall due over a period of at least the next 12 months and as a result the directors have adopted the going concern basis in preparing these financial statements at 31 December 2014.

The comparative figures have been re-presented in a format equivalent to the current period financial information.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenues can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods: revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i.e. on despatch and can be reliably measured. Revenue is measured at fair value after making provision in respect of expected future returns of goods and services supplied by the company prior to the balance sheet date;
- Sales of consignment stock are recognised on an agency basis. This means that sales revenue and cost of goods for consignment sales are netted off so that the net margin is recorded as revenue in the profit and loss account.

Fixed assets

All fixed assets are initially recorded at cost.

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:

Plant & Machinery - 3 years straight line

Stocks

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

Cost includes a proportion of manufacturing overheads.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

Taxation

The charge/(credit) for taxation is based on the profit/(loss) for the period and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that result in an obligation to pay more tax in the future or a right to pay less tax in future. Timing differences are differences between the company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are recorded in the profit and loss account.

Interest-bearing loans and borrowings

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.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, group undertakings and associates.

3. OPERATING LOSS

Operating loss is stated after charging:

	Year to 31 December 14 £'000	Period from 1 April 13 to 31 December 13 £'000
Depreciation of owned fixed assets	226	78
Net loss on foreign currency translation	36	36

The auditor's remuneration of £13,000 (9 months period to 31 December 2013 - £13,000) was borne by another group undertaking.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4. PARTICULARS OF EMPLOYEES

The directors were also directors of fellow group undertakings and did not receive any remuneration for their services to this company. The company had no employees during the year other than the directors (9 months period to 31 December 2013 - nil).

The emoluments of the directors were paid and borne by other fellow group undertakings and they received no remuneration in respect of their services to the company for the year ended December 2014.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 December 14 £'000	Period from 1 April 13 to 31 December 13 £'000
Interest payable to group undertakings	<u>62</u>	<u>37</u>

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21.50% (2013 - 23%).

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.

	Year to 31 December 14 £'000	Period from 1 April 13 to 31 December 13 £'000
Loss on ordinary activities before taxation	<u>(1,211)</u>	<u>(391)</u>
Loss on ordinary activities at the standard rate of UK Corporation tax of 21.50% (2013: 23%)	(260)	(90)
Unrelieved tax losses	198	63
Movement in timing differences	49	18
Impact of group relief claimed / surrendered for no compensation	<u>13</u>	<u>9</u>
Current tax charge for the financial year	<u>-</u>	<u>-</u>

(b) Factors that may affect future tax charges

The company has total unutilised tax losses carried forward estimated at £1,510,147 (2013 - £587,675), which may reduce future tax charges.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

7. TANGIBLE FIXED ASSETS

	Plant & Machinery £'000
COST	
At 1 January 2014	123
Additions	<u>1,019</u>
At 31 December 2014	<u><u>1,142</u></u>
DEPRECIATION	
At 1 January 2014	19
Charge for the year	<u>226</u>
At 31 December 2014	<u><u>245</u></u>
NET BOOK VALUE	
At 31 December 2014	<u><u>897</u></u>
At 31 December 2013	<u><u>104</u></u>

8. STOCKS

	2014 £'000	2013 £'000
Finished goods	<u>714</u>	<u>234</u>

9. DEBTORS

	2014 £'000	2013 £'000
Trade debtors	13	10
Corporation tax repayable	2	2
Other debtors	14	14
Prepayments and accrued income	<u>227</u>	<u>86</u>
	<u><u>256</u></u>	<u><u>112</u></u>

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

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

10. CREDITORS: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	264	81
Amounts owed to group undertakings	3,678	2,491
VAT	172	118
Other creditors	—	33
Accruals and deferred income	206	583
	<u>4,320</u>	<u>3,306</u>

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

11. SHARE CAPITAL

Authorised share capital:

	2014 £'000	2013 £'000
2,500,000 Ordinary shares of £0.0004 each	<u>1</u>	<u>1</u>

Allotted, called up and fully paid:

	2014 No	£'000	2013 No	£'000
Ordinary shares of £0.0004 each	<u>1,373,000</u>	<u>1</u>	<u>1,373,000</u>	<u>1</u>

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total share- holders' funds £'000
Balance brought forward at 1 April 2013	1	712	(1,564)	(851)
Loss for the period	<u>—</u>	<u>—</u>	<u>(391)</u>	<u>(391)</u>
Balance brought forward at 1 January 2014	1	712	(1,955)	(1,242)
Loss for the year	<u>—</u>	<u>—</u>	<u>(1,211)</u>	<u>(1,211)</u>
Balance carried forward at 31 December 2014	<u>1</u>	<u>712</u>	<u>(3,166)</u>	<u>(2,453)</u>

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

13. ULTIMATE PARENT COMPANY

The immediate parent company is Virgin Records Limited, a company incorporated and operating in England. The ultimate parent undertaking and controlling party is Vivendi SA, a company incorporated in France.

The smallest and largest group in which the results of the company will be consolidated will be that headed by Vivendi SA, incorporated in France. Copies of its annual report in English may be obtained from:

Vivendi SA
42 Avenue de Friedland
75380 Paris
Cedex 08
France