

COMPANY REGISTRATION NUMBER 03840597

UNIVERSAL MUSIC DIRECT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



UNIVERSAL MUSIC DIRECT LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

CONTENTS	PAGES
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 5
Independent auditor's report to the members	6 to 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 to 21

UNIVERSAL MUSIC DIRECT LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

BOARD OF DIRECTORS

BJ Muir
SL Carmel
P Jassal

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

4 Pancras Square
London
N1C 4AG

AUDITOR

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

UNIVERSAL MUSIC DIRECT LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for Universal Music Direct Limited ("the company") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was sale and distribution of artist music and merchandise.

The result and position of the company for the year ended 31 December 2018 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 9, 10 and 11 respectively. The result and position of the company were in line with directors' expectations.

RESULTS AND DIVIDENDS

The company's loss for the financial year was £92,577 (2017 - loss £427,000). The retained loss for the year has been transferred to reserves.

The directors do not recommend a dividend payment for the year ended 31 December 2018 (2017 - £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.

Turnover

Turnover levels grew in 2018, with an increase of 19.6% compared to the prior year. The outlook for future years appears positive based on increasing demand by new territory growth and new initiatives for greater reach.

Gross profit margin

The company's gross profit margin decreased from 5.4% to 1.9% this year. This was due to expanded activities within revenue streams where the company does not make a margin as revenues and costs of sales are passed on to other entities within Universal Music Group.

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 Sterling. The directors do not consider that the potential downside is significant enough to require hedging but continue to monitor the potential risk.

Interest rate risk

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

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.

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.

UNIVERSAL MUSIC DIRECT LIMITED

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2018

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 the subscription services market can replace the decline in the physical and download market; and
- interest rate fluctuations.

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

FUTURE DEVELOPMENTS

Following the referendum held on 23rd June 2016 the United Kingdom is expected to leave the European Union ("Brexit").

The directors of the company continue to monitor the possible impact that this may have on the business in the various scenarios by which Brexit may happen and the UK's future relationship with the European Union.

The company is registered for VAT in multiple EU countries and transports goods from the UK to the EU and across the world. Import and export regulations post-Brexit are uncertain, as are the VAT implications of Brexit. The directors have put in place scenario planning which will allow the company to continue to operate in any of the feasible Brexit scenarios including leaving the EU without a deal.

The directors do not consider Brexit to represent a significant risk to the company's operations.

An improved online platform is being developed with plans for it to be rolled out across a number of online stores within Universal Music Direct Ltd during 2019. This may result in revenues, cost of sales and inventories related to these stores transferring to other legal entities within the Universal Music Group. The impact of this is not quantifiable but is likely to be material to the operations of Universal Music Direct Ltd. However, the company will continue to operate for the foreseeable future and there are no plans to cease trading.

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



P Jassal
Director

17th May 2019

UNIVERSAL MUSIC DIRECT LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2018.

They have included the following matters with 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.
- Future developments.

DIRECTORS

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

BJ Muir
SL Carmel
P Jassal

There were no resignations or appointments of Directors during 2018.

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 SA, 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.

UNIVERSAL MUSIC DIRECT LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2018

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.

Deloitte LLP were appointed as the company's auditor during the financial period. Pursuant to Section 487 of the Companies Act 2006, they will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

DIRECTORS' RESPONSIBILITIES STATEMENT

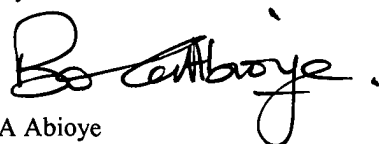
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 FRS 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.

By order of the board



A Abioye

Company Secretary

17th May 2019

Company Registration Number: 03840597

UNIVERSAL MUSIC DIRECT LIMITED

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

YEAR ENDED 31 DECEMBER 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Universal Music Direct Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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.

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.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

UNIVERSAL MUSIC DIRECT LIMITED

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

YEAR ENDED 31 DECEMBER 2018

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.

UNIVERSAL MUSIC DIRECT LIMITED

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

YEAR ENDED 31 DECEMBER 2018

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.

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.



Claire Siviter, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Mountbatten House, Southampton, United Kingdom.

Date: 17th May 2019

Company Registration Number: 03840597

UNIVERSAL MUSIC DIRECT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Note	£'000	£'000
TURNOVER	4	11,808	9,876
Cost of sales		(11,583)	(9,344)
GROSS PROFIT		225	532
Administrative expenses		(323)	(915)
OPERATING LOSS	5	(98)	(383)
Interest payable and similar charges	8	(52)	(55)
LOSS BEFORE TAXATION		(150)	(438)
Tax on loss	9	57	11
LOSS FOR THE FINANCIAL YEAR		(93)	(427)

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

The notes on pages 12 to 21 form part of these financial statements

UNIVERSAL MUSIC DIRECT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Property, plant & equipment	10	218	435
		<u>218</u>	<u>435</u>
CURRENT ASSETS			
Inventories	11	150	146
Debtors: Amounts falling due within one year	12	483	932
		<u>633</u>	<u>1,078</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	13	(7,461)	(8,030)
		<u>(6,828)</u>	<u>(6,952)</u>
NET CURRENT LIABILITIES			
		<u>(6,610)</u>	<u>(6,517)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(6,610)</u>	<u>(6,517)</u>
NET LIABILITIES			
		<u>(6,610)</u>	<u>(6,517)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	14	1	1
Share premium account		712	712
Profit and loss account		(7,323)	(7,230)
		<u>(6,610)</u>	<u>(6,517)</u>
EQUITY SHAREHOLDERS' DEFICIT			
		<u>(6,610)</u>	<u>(6,517)</u>

These financial statements were approved by the board of directors and authorised for issue on 17th May 2019 and are signed on their behalf by:


P Jassal
Director

Company Registration Number: 03840597

The notes on pages 12 to 21 form part of these financial statements

UNIVERSAL MUSIC DIRECT LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium £'000	Profit & loss account £'000	Total share- holders' funds £'000
Balance brought forward 1 January 2017	1	712	(6,803)	(6,090)
Total comprehensive loss				
Loss for the financial year	-	-	(427)	(427)
Balance brought forward 1 January 2018	1	712	(7,230)	(6,517)
Total comprehensive loss				
Loss for the financial year	-	-	(93)	(93)
Balance carried forward at 31 December 2018	1	712	(7,323)	(6,610)

The notes on pages 12 to 21 form part of these financial statements

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Universal Music Direct 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, 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 3.

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 entities;
- 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 SA, copies of which can be obtained from 42 Avenue de Friedland, 75380 Paris, Cedex 08, France.

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, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future (i.e. for at least 12 months from the date when 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 Universal Music Group SAS, 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 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 2018.

UNIVERSAL MUSIC DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises the value of sales of physical goods during the year. It is stated net of VAT, discounts and returns.

Turnover from sales of goods is recognised when the significant risks and rewards are rewards are considered to be transferred to the customer, i.e. at the dispatch of goods.

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

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.

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.

UNIVERSAL MUSIC DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (continued)

Financial instruments

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

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 arm's length rate.

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

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 statement of comprehensive income.

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

Interest receivable and interest payable are recognised in profit or loss as they accrue. Foreign currency gains and losses are reported on a net basis.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (continued)

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 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.

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 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.

In preparing the financial statements for the year, the directors have concluded there are no critical judgments and key sources of estimation uncertainty to disclose.

UNIVERSAL MUSIC DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2018

4. TURNOVER

Turnover by activity is as follows:

	2018 £'000	2017 £'000
Sale of goods	11,808	9,876
	<u>11,808</u>	<u>9,876</u>

Turnover by destination is as follows:

	2018 £'000	2017 £'000
United Kingdom	6,988	5,642
Rest of Europe	2,504	1,999
United States of America	1,096	1,122
Rest of World	1,220	1,113
	<u>11,808</u>	<u>9,876</u>

Turnover by source is exclusively derived in the United Kingdom.

5. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2018 £'000	2017 £'000
Cost of Stock recognised as an expense	11,327	8,757
Depreciation of owned fixed assets	217	942
Net (gain)/loss on foreign currency translation	5	(5)
	<u>11,549</u>	<u>9,694</u>

6. AUDITOR'S REMUNERATION

The auditor's remuneration for the year ended 31 December 2018 was £25,000 (2017 - £13,000) and was borne by another group company in both years.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

7. PARTICULARS OF EMPLOYEES

The company had no employees during the year ended 31 December 2018 (2017 - none).

Emoluments for the directors of the Company are paid for by a fellow group company. The fellow group company has not recharged any amount to the Company (2017 - nil) on the basis that they are unable to make a reasonable apportionment of the portion of these total emoluments that relate to qualifying services provided by directors of the Company.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
Interest payable to group undertakings	52	55
	<u>52</u>	<u>55</u>

9. TAX ON LOSS

(a) Analysis of tax credit in the year

	2018 £'000	2017 £'000
Current tax:		
UK Taxation		
In respect of the year		
Group Tax Receivable	(57)	(11)
Total current tax	<u>(57)</u>	<u>(11)</u>

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

9. TAX ON LOSS

(b) Factors affecting tax credit

The tax assessed on the loss for the year is higher than the average rate of corporation tax in the UK of 19% (2017 - 19.25%).

Under the Finance (No.2) Act 2015, the main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2017. A further reduction to 17% from 1 April 2020 will apply by virtue of the Finance Act 2016 s46 which was enacted on 15 September 2016. 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.

	2018 £'000	2017 £'000
Loss before taxation	(150)	(438)
Loss at the standard rate of UK Corporation tax of 19% (2017 - 19.25%)	(28)	(84)
Impact of tax losses utilised in the period	-	(21)
Movement in timing differences	(29)	94
Current tax credit for the financial year	(57)	(11)

(c) Factors that may affect future tax charges

The company has a total unutilised tax losses carried forward estimated at £481,382 (2017 - £481,382), which may reduce future tax charges. No deferred tax asset has been recognised in respect of these losses due to uncertainty as to their future recoverability.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT & EQUIPMENT

	Plant & Machinery £'000	Total £'000
COST		
At 1 January 2018	3,500	3,500
 At 31 December 2018	 <u>3,500</u>	 <u>3,500</u>
DEPRECIATION		
At 1 January 2018	3,065	3,065
Charge for the year	217	217
 As at 31 December 2018	 <u>3,282</u>	 <u>3,282</u>
NET BOOK VALUE		
At 31 December 2018	<u>218</u>	<u>218</u>
 At 31 December 2017	 <u>435</u>	 <u>435</u>

11. INVENTORIES

	2018 £'000	2017 £'000
Finished goods	564	606
Allowance for obsolete inventory	(414)	(460)
	<u>150</u>	<u>146</u>

The difference between the purchase price or production cost of stock and their replacement cost is not material.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

12. DEBTORS: Amounts due within one year

	2018 £'000	2017 £'000
Trade debtors	59	4
Corporation tax	2	2
Prepayments and accrued income	422	926
	<u>483</u>	<u>932</u>

13. CREDITORS: Amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	6,458	7,382
VAT	289	177
Other creditors	9	-
Accruals and deferred income	705	471
	<u>7,461</u>	<u>8,030</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.

UNIVERSAL MUSIC DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

14. SHARE CAPITAL

Authorised:

	2018			2017
	No	£'000	No	£'000
Ordinary shares of £0.0004 each	2,500,000	1	2,500,000	1
	<u>2,500,000</u>	<u>1</u>	<u>2,500,000</u>	<u>1</u>

Allotted, called up and fully paid:

	2018			2017
	No	£'000	No	£'000
Ordinary shares of £0.0004 each	1,373,000	1	1,373,000	1
	<u>1,373,000</u>	<u>1</u>	<u>1,373,000</u>	<u>1</u>

15. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Virgin Records 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 SA, a company incorporated in France. Copies of its annual report in English may be obtained from:

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:

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

16. SUBSEQUENT EVENTS

As disclosed in the strategic report, an improved online platform is being developed with plans for it to be rolled out across a number of online stores within Universal Music Direct Ltd during 2019. This may result in revenues, cost of sales and inventories related to these stores transferring to other legal entities within the Universal Music Group. The impact of this is not quantifiable but is likely to be material to the operations of Universal Music Direct Ltd. This does not impact the directors' assessment of the company as a going concern.