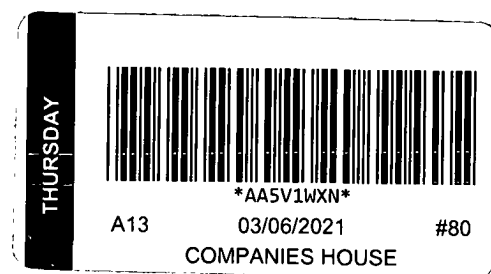


**COMPANY REGISTRATION NUMBER 03840597**

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



**UNIVERSAL MUSIC DIRECT LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2020**

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<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisers	<b>1</b>
Strategic report	<b>2 to 3</b>
Directors' report	<b>4 to 5</b>
Independent auditor's report to the members	<b>6 to 9</b>
Statement of comprehensive income	<b>10</b>
Statement of financial position	<b>11</b>
Statement of changes in equity	<b>12</b>
Notes to the financial statements	<b>13 to 23</b>

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# **UNIVERSAL MUSIC DIRECT LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **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 2020**

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The directors present their strategic report for Universal Music Direct Limited ("the company") for the year ended 31 December 2020.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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

The results and position of the company for the year ended 31 December 2020 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 10, 11 and 12 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 £222,000 (2019 - profit £638,000). This was due to the writing off of debts previously held on the balance sheet due to their irrecoverability per management's assessment. The retained loss for the year has been transferred to reserves. A significant portion of activities within the company were transferred to another group company as at 31 October 2020. The impact of this will be seen to a greater extent in the 2021 accounts.

The directors do not recommend a dividend payment for the year ended 31 December 2020 (2019 - £Nil).

#### **KEY PERFORMANCE INDICATORS**

The company uses a variety of performance indicators to review historical performance and plan for the future. The key indicators are turnover and gross profit margin, as described below.

##### ***Turnover***

Turnover levels grew in 2020, with an increase of 32% compared to the prior year. This was largely due to an increased demand in the wider market for the purchase of online goods due to restrictions on more traditional retail during 2020 as a result of the covid-19 pandemic.

##### ***Gross profit margin***

The company's gross profit margin decreased from 5.6% to -0.7% this year. This was due to the impact of additional expenditure incurred in writing off debts held on the balance sheet. The majority of revenue is passed on to other music labels 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 Pound 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, interest income and expense derives solely from intercompany balances, 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 2020

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#### 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.

On 31 October 2020 the management of stock previously held on the company's balance sheet transferred over to Universal Music Operations Limited. This has resulted in the revenue generated within the company also now being recognised within other companies within the Universal Music Group. Consequently there are no material ongoing expenditures within the company with third parties outside of the Universal Music Group.

The directors remain confident that the company will be able to continue to operate due to ongoing commitments of support from Universal Music Operations Limited, though as previously stated there are not expected to be any material liabilities with third parties which would create risk of insolvency within the company in future.

The Covid-19 pandemic created a significant amount of disruption to the economy during 2020. The restrictions on retail did not negatively impact the operations of the company due to the online nature of the company's business. Our staff were able to continue to carry out their duties remotely and the third party warehouse which stores goods prior to dispatch to customers implemented social distancing measures to allow its continued operations throughout the year.

The United Kingdom's exit from the European Union is not anticipated to have any material impact on the company. This is because the company transferred its stock balance, along with the expectation of future revenues generated by that stock, to Universal Music Operations Limited. This transfer means that any changes in the regulatory environment with regard to imports and exports are not expected to impact Universal Music Direct Limited.

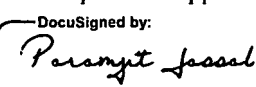
All risks and uncertainties are regularly monitored by the Board of Directors of the company.

#### FUTURE DEVELOPMENTS

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

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

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

DocuSigned by:  
  
P Jassal  
168B387E1767439...  
Director  
Date: 27 May 2021

# **UNIVERSAL MUSIC DIRECT LIMITED**

## **DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2020**

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

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.
- Principal risks and uncertainties.
- Future developments.

There are no subsequent events to report for the 2020 accounts.

#### **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 2020.

#### **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.

#### **DONATIONS**

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

# **UNIVERSAL MUSIC DIRECT LIMITED**

## **DIRECTORS' REPORT (continued)**

### **YEAR ENDED 31 DECEMBER 2020**

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#### **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.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

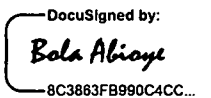
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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; 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.

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

DocuSigned by:  
  
8C3883FB990C4CC...  
A Abioye  
Company Secretary

Date: 27 May 2021

Company Registration Number: 03840597

# **UNIVERSAL MUSIC DIRECT LIMITED**

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

**YEAR ENDED 31 DECEMBER 2020**

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### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

In our opinion the financial statements of Universal Music Direct Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

#### **Conclusions relating to going concern**

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

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

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



## **UNIVERSAL MUSIC DIRECT LIMITED**

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

**YEAR ENDED 31 DECEMBER 2020**

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#### **Other information**

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

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

We have nothing to report in this regard

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## UNIVERSAL MUSIC DIRECT LIMITED

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

#### YEAR ENDED 31 December 2020

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##### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Employment Law, UK Bribery Act, Data Protection Regulation, Money Laundering and Proceeds of Crime Act 2006 & Copyright, Design and Patents Act 1998,

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- We have identified a significant risk of material misstatement due to fraud related to the revenue recognition. This is due to the potential incentive to manipulate revenue to boost the financial performance of the listed group.  
The following procedures have been performed in response to this risk. We have traced a selected sample from the general ledger back to invoices and cash received. We have further performed a full reconciliation of the general ledger back to cash.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

# UNIVERSAL MUSIC DIRECT LIMITED

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

**YEAR ENDED 31 December 2020**

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### 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

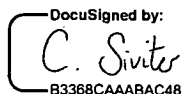
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:  
  
B3368CAAABAC483...

Claire Siviter, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

Southampton, United Kingdom

Date: 27 May 2021

Company Registration Number: 03840597

**UNIVERSAL MUSIC DIRECT LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2020**

		2020	2019
	Note	£'000	£'000
<b>TURNOVER</b>	<b>4</b>	<b>20,401</b>	<b>15,424</b>
Cost of sales		(20,554)	(14,557)
<b>GROSS (LOSS)/PROFIT</b>		<b>(153)</b>	<b>867</b>
Administrative expenses		(120)	(383)
<b>OPERATING (LOSS)/PROFIT</b>		<b>(273)</b>	<b>484</b>
Interest payable and similar expenses	<b>8</b>	(36)	(53)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	<b>5</b>	<b>(309)</b>	<b>431</b>
Tax on loss/(profit)	<b>9</b>	87	207
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(222)</b>	<b>638</b>

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

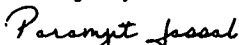
The company has no gains or losses in 2020 (2019: none) which would be classified as other comprehensive income or expenditure.

**The notes on pages 13 to 23 form part of these financial statements**

**UNIVERSAL MUSIC DIRECT LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £'000	2019 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	-	-
<b>CURRENT ASSETS</b>			
Inventories	11	-	239
Debtors: Amounts falling due within one year	12	3,470	3,716
		3,470	3,955
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	13	(9,664)	(9,927)
<b>NET CURRENT LIABILITIES</b>		(6,194)	(5,972)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(6,194)	(5,972)
<b>NET LIABILITIES</b>		(6,194)	(5,972)
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	15	1	1
Share premium account		712	712
Profit and loss account		(6,907)	(6,685)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		(6,194)	(5,972)

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

DocuSigned by:  
  
 168B367E1767439...  
 P Jassal  
 Director

Date: 27 May 2021

Company Registration Number: 03840597

**The notes on pages 13 to 23 form part of these financial statements**

**UNIVERSAL MUSIC DIRECT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2020**

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	Called up share capital £'000	Share premium £'000	Profit & loss account £'000	Total shareholders' deficit £'000
Balance brought forward 1 January 2019	1	712	(7,323)	(6,610)
<b>Total comprehensive loss</b>				
Profit for the financial year	-	-	638	638
	<hr/>	<hr/>	<hr/>	<hr/>
Balance brought forward 1 January 2020	1	712	(6,685)	(5,972)
<b>Total comprehensive loss</b>				
Loss for the financial year	-	-	(222)	(222)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance carried forward at 31 December 2020</b>	<b>1</b>	<b>712</b>	<b>(6,907)</b>	<b>(6,194)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 23 form part of these financial statements

# UNIVERSAL MUSIC DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2020

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#### 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 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.

# **UNIVERSAL MUSIC DIRECT LIMITED**

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

### **YEAR ENDED 31 DECEMBER 2020**

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

##### **Going concern**

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

After making enquiries, 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 B.V., the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period of not less than one year from the date of approval of these financial statements. Having regard to this intention, and the ability of Universal Music Group B.V. to provide such support if necessary, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net current liabilities at 31 December 2020.

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

##### **Turnover**

Turnover comprises the value of sales of physical goods 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 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 2020**

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#### **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 2020

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#### 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 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.

The only estimate within the financial statements are those around accrued expenditures. The directors do not consider that there is a significant degree of uncertainty or judgement in the valuation of these. There are no other significant estimates present within the financial statements.

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

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**4. TURNOVER**

Turnover by activity is as follows:

	2020 £'000	2019 £'000
Sale of goods	20,401	15,424
	<u>20,401</u>	<u>15,424</u>

Turnover by destination is as follows:

	2020 £'000	2019 £'000
United Kingdom	11,844	8,140
Rest of Europe	4,047	3,919
United States of America	2,681	1,977
Rest of World	1,829	1,388
	<u>20,401</u>	<u>15,424</u>

Turnover by source is exclusively derived in the United Kingdom.

**5. (LOSS) / PROFIT BEFORE TAX**

(Loss) / profit before tax is stated after charging:

	2020 £'000	2019 £'000
Cost of stock recognised as an expense	19,343	14,176
Depreciation of owned fixed assets	-	218
Net loss on foreign currency translation	22	61
	<u>19,365</u>	<u>14,455</u>

**6. AUDITOR'S REMUNERATION**

The auditor's remuneration for the year ended 31 December 2020 was £29,325 (2019 - £28,395) for the audit of these financial statements and was borne by another group company in both years. No other remuneration was paid to the auditor in the year (2019: £nil).

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

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**7. PARTICULARS OF EMPLOYEES**

The company had no employees during the year ended 31 December 2020 (2019 - 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 (2019 - 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. The allocation to the company for these services is £nil (2019: £nil).

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020 £'000	2019 £'000
Interest payable to group undertakings	36	53
	<u>36</u>	<u>53</u>

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

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

	2020 £'000	2019 £'000
<b>Current tax:</b>		
In respect of the year		
Group relief (receivable)/payable for losses claimed from/surrendered to other group undertakings	(106)	29
Total current tax	<u>(106)</u>	<u>29</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	19	15
Adjustments in respect of prior periods	-	(251)
Total deferred tax	<u>19</u>	<u>(236)</u>
Tax on (loss) / profit	<u>(87)</u>	<u>(207)</u>

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

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**(b) Factors affecting tax credit**

The tax assessed on the loss for the year is higher than the standard rate of corporation tax in the UK of 19.0% (2019 19.0%).

Under the Finance Act 2016, the main rate of corporation tax was reduced from 19% to 17% effective from 1 April 2020. However, a change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred tax assets and liabilities are measured at the rate that is enacted and expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates. An increase to the main rate of corporation tax to 25% for large businesses was announced in the Spring Budget but has not yet been substantively enacted.

	2020 £'000	2019 £'000
(Loss)/profit before taxation	<u>(309)</u>	<u>431</u>
(Loss)/profit at the standard rate of UK Corporation tax of 19.0% (2019 - 19.0%)	(59)	82
Impact of tax losses utilised in the period	-	(36)
Adjustments in respect of previous periods	-	(251)
Movement in timing differences	-	-
Impact of statutory rate change	<u>(28)</u>	<u>(2)</u>
Current tax credit for the financial year	<u>(87)</u>	<u>(207)</u>

**(c) Factors that may affect future tax charges**

The company has a total unutilised tax losses carried forward estimated at £292,803 (2019 - £292,803), 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 2020**

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**10. TANGIBLE ASSETS**

	<b>Plant &amp; Machinery</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>COST</b>		
At 1 January 2020	3,500	3,500
	<u>3,500</u>	<u>3,500</u>
<b>At 31 December 2020</b>	<u><u>3,500</u></u>	<u><u>3,500</u></u>
<b>DEPRECIATION</b>		
At 1 January 2020	3,500	3,500
Charge for the year	-	-
	<u>3,500</u>	<u>3,500</u>
<b>As at 31 December 2020</b>	<u><u>3,500</u></u>	<u><u>3,500</u></u>
<b>NET BOOK VALUE</b>		
At 31 December 2020	-	-
	<u>-</u>	<u>-</u>
At 31 December 2019	-	-
	<u>-</u>	<u>-</u>

Plant and Machinery is valued at cost less accumulated depreciation and has a useful economic life of between 3 and 10 years, straight line depreciation is applied.

**11. INVENTORIES**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	-	742
Allowance for obsolete inventory	-	(503)
	<u>-</u>	<u>239</u>
	<u><u>-</u></u>	<u><u>239</u></u>

Stock recognised on the company's balance sheet in the prior year was transferred to another group company, Universal Music Operations Ltd during 2020.

**UNIVERSAL MUSIC DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2020****12. DEBTORS: Amounts due within one year**

	2020 £'000	2019 £'000
Trade debtors	6	189
Amounts owed by group undertakings	3,246	3,090
Corporation tax	2	2
Prepayments and accrued income	-	199
Deferred taxation (note 14)	216	236
	<u>3,470</u>	<u>3,716</u>

Within amounts owed by group undertakings £nil relates to the parent undertaking, £nil relates to fellow subsidiaries and £3,246k relates to other group undertakings.

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. Interest accrues on these amounts at 1month LIBOR plus 0.1%.

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

	2020 £'000	2019 £'000
Trade creditors	-	1,325
Amounts owed to group undertakings	8,930	6,828
VAT	80	399
Other creditors	-	186
Accruals and deferred income	654	1,189
	<u>9,664</u>	<u>9,927</u>

Within amounts owed to group undertakings £2,540k relates to the parent undertaking, £nil relates to fellow subsidiaries and £6,390k relates to other group undertakings. The reduction in trade creditors and accruals and deferred income is due to the transfer of operations to another group company which occurred during 2020.

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. Interest accrues on these amounts at 1 month LIBOR plus 0.1%.

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

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**14. DEFERRED TAXATION**

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

	2020 £'000	2019 £'000
Balance brought forward	236	-
Deferred tax (charge) in profit & loss account	(20)	(15)
Prior year adjustment	-	251
Balance carried forward	<u>216</u>	<u>236</u>

The movement for deferred taxation consists of the tax effect of timing differences in respect of:

	2020 £'000	2019 £'000
Excess of depreciation over taxation allowances	216	236
	<u>216</u>	<u>236</u>

**15. CALLED UP EQUITY SHARE CAPITAL**

Authorised:

	2020 No	£'000	2019 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:

	2020 No	£'000	2019 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>

All shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.



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

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**16. 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 SE, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

42 Avenue de Friedland  
75380 Paris  
Cedex 08  
France

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

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