

COMPANY REGISTRATION NUMBER 950138

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **THE BOARD OF DIRECTORS**

DS Joseph  
MJ Swatton  
RM Constant  
AM Barker  
DRJ Sharpe  
SG Miron  
K Brown

### **COMPANY SECRETARY**

A Abioye

### **REGISTERED OFFICE**

364-366 Kensington High Street  
London  
W14 8NS

### **AUDITOR**

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

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **STRATEGIC REPORT**

### **YEAR ENDED 31 DECEMBER 2015**

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The directors present their strategic report for the company for the year ended 31 December 2015.

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

The principal activity of the company during the year was to market and distribute recorded music and videos.

The result and position of the company for the year ended 31 December 2015 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 7, 8 and 9 respectively. The result and position of the company were in line with directors' expectations.

The company had a 1% decrease in revenues, mainly due to the decline in the physical market, however digital revenue continues to grow due to the increased popularity of subscription services.

Margins have decreased slightly due to increases in provisions against artist advances.

#### **RESULTS AND DIVIDENDS**

The company's loss for the financial year was £17,974,000, (2014 - loss £6,548,000). 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 2015 (2014 - £Nil).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

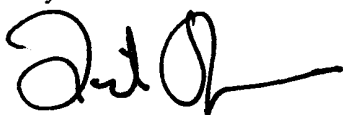
- competition from major and independent record companies that market and distribute recorded music and video;
- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to survival of independent music retailers;
- the threat of a devalued product due to piracy and the illegal use of music;
- 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**

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



DRJ Sharpe  
Director

31 OCT 2016

# UNIVERSAL MUSIC OPERATIONS LIMITED

## DIRECTORS' REPORT

### YEAR ENDED 31 DECEMBER 2015

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The directors present their report, the strategic report and the financial statements of the company for the year ended 31 December 2015.

#### DIRECTORS

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

DS Joseph  
MJ Swatton  
RM Constant  
AM Barker  
DRJ Sharpe  
SG Miron  
K Brown

K Brown resigned as a director on 28 February 2016.

SG Miron resigned as a director on 31 January 2016.

MJ Swatton resigned as a director on 10 March 2016.

#### 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.

#### 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

During the year the company made the following contributions:

	2015 £	2014 £
Charitable donations	360,810	-

# UNIVERSAL MUSIC OPERATIONS LIMITED

## DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2015

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### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report, the strategic 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 year. In preparing these financial statements, the directors are required to:

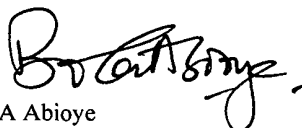
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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

Company Registration Number: 950138

31 OCT 2016

# **UNIVERSAL MUSIC OPERATIONS LIMITED**

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

**YEAR ENDED 31 DECEMBER 2015**

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We have audited the financial statements of Universal Music Operations Limited for the year ended 31 December 2015, which comprise the statement of comprehensive income, the statement of financial position and statement of changes in equity and the related notes 1 to 28. 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, including Financial Reporting Standard 102).

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 4, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2015 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; 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 OPERATIONS LIMITED

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

YEAR ENDED 31 DECEMBER 2015

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### 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.

*Ernst & Young LLP*

Philip Young (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

31 October 2016

Company Registration Number: 950138



**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Note</b>	<b>Total 2015 £'000</b>	<b>Total 2014 £'000</b>
<b>TURNOVER</b>	<b>4</b>	<b>320,839</b>	<b>322,875</b>
Cost of sales		<b>(229,284)</b>	<b>(216,493)</b>
<b>GROSS PROFIT</b>		<b>91,555</b>	<b>106,382</b>
Distribution costs		<b>(4,355)</b>	<b>(4,525)</b>
Administrative expenses		<b>(84,589)</b>	<b>(81,983)</b>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>2,611</b>	<b>19,874</b>
Income from participating interests	<b>8</b>	<b>6,500</b>	<b>6,485</b>
Interest receivable and similar income	<b>9</b>	<b>13,898</b>	<b>13,612</b>
Amounts written off investments	<b>10</b>	<b>(400)</b>	<b>(4,204)</b>
Interest payable and similar charges	<b>11</b>	<b>(46,392)</b>	<b>(41,641)</b>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(23,783)</b>	<b>(5,874)</b>
Tax on (loss)/profit on ordinary activities	<b>12</b>	<b>5,809</b>	<b>(674)</b>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(17,974)</b>	<b>(6,548)</b>
<b>Other comprehensive income</b>			
Actuarial (loss)/gain in respect of defined benefit pension scheme		<b>(7,000)</b>	<b>600</b>
<b>Total other comprehensive loss</b>		<b>(7,000)</b>	<b>600</b>
Tax on other comprehensive loss		<b>(140)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR</b>		<b>(25,114)</b>	<b>(5,948)</b>

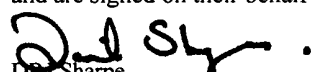
All of the activities of the company are classed as continuing operations.

The notes on pages 10 to 38 form part of these financial statements

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	2015 £'000	2014 £'000
<b>FIXED ASSETS</b>			
Property, plant & equipment	13	1,268	2,035
Financial assets	14	400	800
Defined benefit pension scheme asset	21	2,730	2,470
		<u>4,398</u>	<u>5,305</u>
<b>CURRENT ASSETS</b>			
Inventories	15	1,610	1,665
Debtors: Amounts falling due within one year	16	2,053,628	1,919,751
		<u>2,055,238</u>	<u>1,921,416</u>
<b>CREDITORS: Amounts falling due within one year</b>	17	<u>(1,790,401)</u>	<u>(1,629,429)</u>
<b>NET CURRENT ASSETS</b>		<u>264,837</u>	<u>291,987</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>269,235</u>	<u>297,292</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	18	<u>(136,000)</u>	<u>(136,000)</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	19	-	(34)
Provisions for liabilities and charges	20	(18,651)	(21,560)
<b>NET ASSETS</b>		<u>114,584</u>	<u>139,698</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	26	15	15
Profit and loss account		<u>114,569</u>	<u>139,683</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>114,584</u>	<u>139,698</u>

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

  
Dr. Sharpe  
Director

31 OCT 2016

The notes on pages 10 to 38 form part of these financial statements

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2015**

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	Share capital £'000	Profit & Loss Account £'000	Total share-holde rs' funds £'000
Balance brought forward at 1 January 2014	15	145,631	145,646
Balance at 1 January 2014 restated	15	145,631	145,646
<b>Total comprehensive income for the period</b>			
Loss for the year	-	(6,548)	(6,548)
Other comprehensive income	-	600	600
Balance brought forward at 1 January 2015	15	139,683	139,698
Balance at 1 January 2015 restated	15	139,683	139,698
<b>Total comprehensive income for the period</b>			
Loss for the year	-	(17,974)	(17,974)
Other comprehensive expense	-	(7,140)	(7,140)
<b>Balance carried forward at 31 December 2015</b>	<b>15</b>	<b>114,569</b>	<b>114,584</b>

The notes on pages 10 to 38 form part of these financial statements

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# **UNIVERSAL MUSIC OPERATIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2015**

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#### **1. STATUTORY INFORMATION**

Universal Music Operations Limited is a company limited by shares and incorporated and domiciled in the UK. The registered office is 364-366 Kensington High Street, London, W14 8NS.

#### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with the FRS 102 as it applies at 31 December 2015.

The company transitioned from previously UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 28.

#### **3. ACCOUNTING POLICIES**

##### **Basis of preparation of financial statements**

The financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102. The presentation currency of these financial statements is sterling and rounded to the nearest £'000.

In the transition to FRS 102 from old UK GAAP, the company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

##### **First time adoption exemptions taken**

- The company has elected to use the previous GAAP valuation of tangible and intangible fixed assets at the date of transition to FRS 102 as its deemed cost at the transition date.
- Separate financial statements - The company has measured the value of its investments in subsidiaries, associates, and jointly controlled entities at cost less impairment. The deemed cost shall be the carrying amount at the date of transition as determined under the entity's previous GAAP.
- Lease arrangements - in order to determine whether an arrangement contains a lease, the company has analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2015

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#### 3. ACCOUNTING POLICIES (continued)

##### FRS 102 - Qualifying exemptions

- The company's ultimate parent undertaking, Vivendi SA includes the company in its consolidated financial statements. The consolidated financial statements of Vivendi SA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 42 Avenue de Friedland, 75380 Paris, Cedex 08, France. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:
- Reconciliation of the number of shares outstanding from the beginning to end of the period.
- Cash Flow Statement and related notes;
- Related party disclosures; and
- Key Management Personnel compensation.

As the consolidated financial statements of Vivendi SA include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

##### Other qualifying exemptions

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

##### Measurement convention

The financial statements are prepared on the historical cost basis.

##### 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2015

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#### 3. ACCOUNTING POLICIES (continued)

##### **Revenue recognition**

Turnover represents goods sold less returns, the invoiced value of services and royalty income, excluding VAT. Turnover is attributable to one activity; the marketing and distribution of recorded music.

United Kingdom digital and royalty income is credited to the statement of comprehensive income in the period to which it relates, or if it cannot be reliably estimated, on a receipt basis. Overseas digital and royalty income, which is all collected on behalf of the company by other group undertakings, is credited to the statement of comprehensive income in the period overseas sales are reported to the company. Royalties payable are charged against the relevant income of the same period.

##### **Property, plant and equipment**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

##### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements - over the life of the lease  
Plant & Machinery - 2% - 25% straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**3. ACCOUNTING POLICIES (continued)**

**Basic financial instruments**

*Trade and other debtors / creditors*

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

*Advances*

Advances to unproven artists are expensed. Advances to other artists are written down to the estimated amount that will be recoverable from future royalty payments to the artist. Net advances to artists are classified as falling due within one year, although elements may not be recovered until more than one year. Long term advances to artists, where the effect of the time value of money is material, are discounted.

*Interest-bearing loans borrowings classified as basic financial instruments*

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

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

*Investments in preference and ordinary shares*

Preference shares that provided for the contractual right to deliver cash to another entity are classified as a financial instrument. The corresponding dividends are charged to the statement of comprehensive income.

The company's 4.82% non redeemable preference shares have been accounted for as such a financial instrument.

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised through profit and loss. Other investments are measured at cost less impairment in profit and loss.

*Investments in subsidiaries, jointly controlled entities and associates*

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are repayable on demand.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**3. ACCOUNTING POLICIES (continued)**

**Other financial instruments**

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

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

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

**Inventories (Stocks)**

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

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

**Impairment excluding stocks and deferred tax assets**

***Financial assets (including trade and other debtors)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

***Non-financial assets***

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



**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**3. ACCOUNTING POLICIES (continued)**

**Employee benefits**

**Pension costs and other post-retirement benefits**

The company participates in a pension scheme in the UK, ultimately operated by Vivendi SA; the Universal Music Group Pension Scheme ("UEEMpEMpMGPS" or "the Scheme"). The Scheme is a mixed defined benefit and defined contribution Scheme and operates on a pre-funded basis.

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

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

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

***Termination benefits***

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is possible that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

**Provision for royalty audit claims**

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

**Provision for financial guarantees**

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**3. ACCOUNTING POLICIES (continued)**

**Expenses**

***Operating lease agreements***

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

***Finance lease agreements***

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the statement of financial position as a tangible fixed asset and is depreciated in accordance with the above depreciation policies or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

***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 .

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

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

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
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**YEAR ENDED 31 DECEMBER 2015**

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

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. TURNOVER**

Turnover by activity is as follows:

	2015 £'000	2014 £'000
Product Sales	159,468	163,079
Royalties	161,371	159,796
	<u>320,839</u>	<u>322,875</u>

Turnover by destination is as follows:

	2015 £'000	2014 £'000
United Kingdom	220,790	234,625
Rest of Europe	36,280	33,027
United States of America	44,990	36,597
Rest of World	18,779	18,626
	<u>320,839</u>	<u>322,875</u>

Turnover by source is exclusively derived in the United Kingdom.

**5. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2015 £'000	2014 £'000
Depreciation of owned fixed assets	855	1,402
Auditor's remuneration	270	209
<b>Operating lease costs:</b>		
- Land and buildings	4,969	4,555
Net loss on disposal of tangible assets	-	3
Net loss/(gain) on foreign currency translation	(906)	(289)
	<u></u>	<u></u>

The company also incurred costs in respect of audit services on behalf of other group entities amounting to £350,000 (2014 - £269,000).

**6. PARTICULARS OF EMPLOYEES**

The company had no employees during the year ended 31 December 2015 (2014 - Nil).

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**7. DIRECTORS' REMUNERATION**

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration receivable	<b>3,595</b>	3,633
Value of company pension contributions to money purchase schemes	<b>51</b>	53
	<b><u>3,646</u></b>	<b><u>3,686</u></b>

The directors' emoluments above were paid and ultimately borne by the principal.

Retirement benefits are accruing to two directors (2014 : three) under the Universal defined contribution section of the Universal Music Group Pension Scheme (UMGPS) and the Group Personal Pension (GPP) arrangement.

Four directors (2014 : four) were not members of any retirement benefit schemes.

The emoluments of two directors (2014 : two) were paid and borne by other fellow group undertakings and they received no remuneration in respect of their services to the company.

**Remuneration of highest paid director:**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Total remuneration (excluding pension contributions)	<b><u>2,424</u></b>	<b><u>2,460</u></b>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £Nil (2014 - £Nil) together with a lump sum amounting to £Nil (2014 - £Nil).

None of the directors, including the highest paid director received share options under the group's long term incentive grant scheme (2014 : None). The amounts receivable to the directors under long term incentive schemes were £Nil (2014 : £Nil).

**8. INCOME FROM PARTICIPATING INTERESTS**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Income from participating interests	<b><u>6,500</u></b>	<b><u>6,485</u></b>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	<b>74</b>	<b>184</b>
Interest receivable from group undertakings	<b>13,824</b>	<b>13,428</b>
	<b><u>13,898</u></b>	<b><u>13,612</u></b>

**10. AMOUNTS WRITTEN OFF INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Amount written off investments	<b>400</b>	<b>4,204</b>
	<b><u>400</u></b>	<b><u>4,204</u></b>

**11. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest on pension obligation	<b>3,900</b>	<b>3,900</b>
Expected return on pension scheme assets	<b>(4,400)</b>	<b>(4,000)</b>
Other finance charges	<b>4,795</b>	<b>1,067</b>
Interest payable to group undertakings	<b>42,097</b>	<b>40,674</b>
	<b><u>46,392</u></b>	<b><u>41,641</u></b>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
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**12. TAX ON LOSS ON ORDINARY ACTIVITIES**

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
<b>UK Taxation</b>		
In respect of the year		
Withholding tax	237	150
Adjustments in respect of previous years	(487)	-
Group relief payable/(receivable) for losses claimed from/surrendered to other group undertakings	(4,212)	(477)
Double taxation relief	(237)	(150)
<b>Foreign tax</b>		
Current tax on income for the year	237	150
<b>Total current tax</b>	<b>(4,462)</b>	<b>(327)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(1,106)	(1,212)
Adjustments in respect of prior periods	(241)	-
Defined benefit scheme adjustment	-	2,213
<b>Total deferred tax</b>	<b>(1,347)</b>	<b>1,001</b>
<b>Tax on loss on ordinary activities</b>	<b>(5,809)</b>	<b>674</b>

FRS 102, section 28.22 allows for a defined benefit scheme surplus to be recognised at the reporting date at which the scheme has a surplus.

In the transition to FRS 102, the surplus plan asset; at 31 December 2014 of £3,800,000 has been recognised.

The deferred taxation transition adjustment on recognising the defined benefit plan asset on implementation of FRS 102 is £2,213,000.

	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Current Tax</b>	<b>Deferred Tax</b>	<b>Total Tax</b>	<b>Current Tax</b>	<b>Deferred Tax</b>	<b>Total Tax</b>
Recognised in Profit and loss	(4,462)	(1,347)	(5,809)	(327)	1,001	674
Recognised in other comprehensive income	-	140	140	-	-	-
<b>Total Tax</b>	<b>(4,462)</b>	<b>(1,207)</b>	<b>(5,669)</b>	<b>(327)</b>	<b>1,001</b>	<b>674</b>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
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**12. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**

**(b) Factors affecting tax credit**

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%).

The Finance Act 2013 enacted reductions in the UK corporate tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. As announced in the Budget on 8 July 2015, the Corporation Tax main rate will be reduced to 19% from 1 April 2017 and 18% from 1 April 2020, which were enacted by the Finance (No. 2) Act 2015. 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.

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Loss on ordinary activities before taxation	<b>(23,783)</b>	(5,874)
Loss on ordinary activities at the standard rate of UK Corporation tax of 20.25% (2014: 21.50%)	<b>(4,816)</b>	(1,263)
Expenses not deductible for tax purposes	<b>(1,196)</b>	1,298
Adjustments in respect of previous periods	<b>(728)</b>	-
Double tax relief	<b>(237)</b>	(150)
Foreign tax suffered in the period	<b>237</b>	150
Impact of statutory rate change	<b>161</b>	510
Effect of pension adjustment	<b>770</b>	129
Current tax (credit)/charge for the financial year	<b>(5,809)</b>	674



**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**13. PROPERTY, PLANT & MACHINERY (TANGIBLE ASSETS)**

	<b>Leasehold Improvements £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Total £'000</b>
<b>COST</b>			
At 1 January 2015	11,365	3,855	15,220
Additions	-	88	88
Disposals	(1,847)	(214)	(2,061)
Transfers	3	(3)	-
<b>At 31 December 2015</b>	<b>9,521</b>	<b>3,726</b>	<b>13,247</b>
<b>DEPRECIATION</b>			
At 1 January 2015	9,498	3,687	13,185
Charge for the year	780	75	855
Disposals	(1,847)	(214)	(2,061)
<b>At 31 December 2015</b>	<b>8,431</b>	<b>3,548</b>	<b>11,979</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2015</b>	<b>1,090</b>	<b>178</b>	<b>1,268</b>
At 31 December 2014	1,867	168	2,035

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

### 14. FINANCIAL ASSETS (INVESTMENTS)

	Shares In Subs/Grp £'000	Def American Limited Partnership £'000	Total £'000
<b>COST</b>			
At 1 January 2015	17,582	23	17,605
<b>At 31 December 2015</b>	<b>17,582</b>	<b>23</b>	<b>17,605</b>
<b>PROVISION FOR IMPAIRMENT</b>			
At 1 January 2015	16,782	23	16,805
Written off in year	400	-	400
<b>At 31 December 2015</b>	<b>17,182</b>	<b>23</b>	<b>17,205</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2015</b>	<b>400</b>	<b>-</b>	<b>400</b>
At 31 December 2014	800	-	800

The company's investment in a Limited Partnership represents a 50% share of Def American Limited, which is involved in licensing and distributing recorded music in the United Kingdom.

#### Subsidiary Undertakings

The principal subsidiaries of Universal Music Operations Limited, as at 31 December 2015 were as follows:

Name	Country of Incorporation	Ordinary share holding	Nature of business
Fiction Records Limited	England & Wales	100%	Dormant company
Serious Records Limited	England & Wales	100%	Dormant company
Wolftone Limited	England & Wales	50.1%	Marketing and distribution of recorded music
All Around The World Limited	England & Wales	50%	Marketing and distribution of recorded music
Now that's what I call music LLP	England & Wales	50%	Marketing and distribution of recorded music
Future Records Limited	England & Wales	50%	Marketing and distribution of recorded music
Global Talent Music Recordings Limited	England & Wales	50%	Marketing and distribution of recorded music
Composed Limited	England & Wales	50%	Music streaming service
Composed Technology International Limited	England & Wales	100%	Music streaming service
London Records 2011 Limited	England & Wales	100%	Dormant company
Loveline TV Limited	England & Wales	2.676%	TV production
Naughty Records Limited	England & Wales	51%	Marketing and distribution of recorded music
The Wild Card Label Limited	England & Wales	100%	Marketing and distribution of recorded music
Turnfirst Limited	England & Wales	10%	Marketing and distribution of recorded music
Vice Versa Limited	England & Wales	100%	Dormant company

**UNIVERSAL MUSIC OPERATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2015**

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**15. STOCKS**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Finished goods	<b>1,610</b>	1,665

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

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

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Trade debtors	<b>21,931</b>	41,202
Amounts owed by group undertakings	<b>1,945,216</b>	1,781,461
VAT recoverable	<b>353</b>	-
Other debtors	<b>21,598</b>	37,286
Prepayments and accrued income	<b>63,217</b>	59,802
Deferred taxation (note 28)	<b>1,313</b>	-
	<b>2,053,628</b>	1,919,751

Included within amounts owed by group undertakings are the following interest-bearing amounts:

- £207,673,000 (2014 - £207,673,000) in respect of an intercompany balance with Universal Music (UK) Holdings Limited. Interest accrues on the loan at 1 month LIBOR plus 1%.
- £136,000,000 (2014 - £136,000,000) in respect of an intercompany loan with a fellow group undertaking, Universal Music Holdings Limited. Interest accrues on the loan at 1 month LIBOR plus 1.1%
- £560,000,000 (2014 - £560,000,000) in respect of an intercompany loan due from a fellow group undertaking, Universal Music Holdings Limited. Interest accrues on the loan at 1 month LIBOR plus 0.1% and is repayable on demand.
- £199,969,000 (2014 - £199,969,000) in respect of an intercompany loan due from a fellow group undertaking, Universal Music Holdings Limited. Interest accrues on the loan at 1 month LIBOR plus 0.1% and is repayable on demand.

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

At 31 December 2015 £13,207,194 (2014 - £20,853,747) included within other debtors related to discounted advances due in more than 1 year.

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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

	2015 £'000	2014 £'000
Bank loans and overdrafts	8,550	24,344
Trade creditors	144,934	137,454
Amounts owed to group undertakings	1,560,185	1,394,563
Corporation tax	500	1,000
Other taxation and social security	2,889	-
VAT	-	1,482
Other creditors	9,408	15,016
Accruals and deferred income	63,935	55,570
	<u>1,790,401</u>	<u>1,629,429</u>

Included within amounts owed to group undertakings are the following interest-bearing amounts:

£8,924,012 (2014 - £8,924,012) in respect of an intercompany balance with a fellow group undertaking, Universal Music Group Treasury SA. The interest rate on the loan is 1 year LIBOR plus 3%. The loan is unsecured and repayable on demand.

£525,000,000 (2014 - £525,000,000) in respect of an intercompany balance with Universal Music Leisure Limited. Interest accrues on the loan at 6%.

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

### 18. CREDITORS: Amounts falling due after more than one year

	2015 £'000	2014 £'000
Shares classed as financial liabilities	136,000	136,000
	<u>136,000</u>	<u>136,000</u>

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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### 19. DEFERRED TAXATION

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

	2015 £'000	2014 £'000
Balance brought forward	34	1,245
Balance brought forward deferred tax on pension liability	1,330	(883)
Exclude deferred taxation included in defined benefit pension scheme note	(1,470)	(1,330)
Change to deferred taxation on defined benefit pension scheme movement in the year	140	2,213
Deferred taxation on ordinary activities account movement arising during the year	(1,347)	(1,211)
	<u>(1,313)</u>	<u>34</u>
Provision carried forward		

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

	2015 £'000	2014 £'000
Excess of depreciation over taxation allowances	(881)	1,006
Other timing differences	(432)	(1,040)
	<u>(1,313)</u>	<u>(34)</u>

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

	2015 £'000	2014 £'000
Included in debtors (note 16)	1,313	-
Included in deferred tax (note 19)	-	(34)
Included in defined benefit pension scheme (note 21)	(1,470)	(1,330)
	<u></u>	<u></u>

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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### 20. PROVISIONS FOR LIABILITIES AND CHARGES

	Artist Royalties £'000	Other Provisions £'000	Total £'000
At 1 January 2015	13,858	7,702	21,560
Additions	444	-	444
Amounts charged	-	(3,353)	(3,353)
<b>At 31 December 2015</b>	<b>14,302</b>	<b>4,349</b>	<b>18,651</b>

	Artist Royalties £'000	Other Provisions £'000	Total £'000
At 1 January 2015	13,858	7,702	21,560
Statement of comprehensive income movement arising during the year	444	(3,353)	(2,909)
<b>At 31 December 2015</b>	<b>14,302</b>	<b>4,349</b>	<b>18,651</b>

Provision is made against the outcome of artist royalty audits ongoing at the statement of financial position date, and against additional artist royalty obligations anticipated by management at the statement of financial position date, resulting from a past event likely to give rise to the transfer of economic benefit.

The directors anticipate that these liabilities will crystallise in the foreseeable future.

The other provisions amount represents provisions for dilapidations on properties.

### 21. PENSIONS AND OTHER POST RETIREMENT BENEFITS

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

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

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

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2015

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#### 21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

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

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

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

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

The results of the 5 April 2015 valuation have been updated to 31 December 2015 for FRS 102 purposes. Over the reporting year 2015, the valuation update showed that the surplus increased from £3.8 million to £4.2 million. The updated valuation at 31 December 2015 showed the market value of the assets in the defined benefit section was £114.4 million and that the liabilities were £110.2 million. Consequently, the market value of the assets at 31 December 2015 were sufficient to cover 95% of the benefits that had accrued to defined benefit members, after allowing for expected future increases in earnings where appropriate and future revaluations during deferment.

The Company's total contributions amounted to £7,300,000 for the year ended 31 December 2015 (2014: £7,600,000).

#### Change in defined benefit obligation:

	2015 £'000	2014 £'000
Defined benefit obligation at end of prior year	106,100	86,700
Interest expense	3,900	3,900
Cash flows		
Benefit payment from plan assets	(1,800)	(700)
Remeasurements		
Effect of changes in assumptions	5,000	14,300
Effect of experience adjustments	(3,000)	1,900
Defined benefit obligation at end of year	<u>110,200</u>	<u>106,100</u>

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

### 21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

#### Change in fair value of plan assets:

	2015 £'000	2014 £'000
Fair value of plan assets at end of prior year	109,900	82,600
Interest income	4,400	4,000
Cash flows		
Total employer contribution	7,300	7,600
Benefit payments from plan assets	(1,800)	(700)
Administrative expenses paid from plan assets	(400)	(400)
Remeasurements		
Return on plan assets (excluding interest income)	(5,000)	16,800
Fair value of plan assets at end of year	<u>114,400</u>	<u>109,900</u>

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

	2015 £'000	2014 £'000
Defined benefit obligation	110,200	(109,900)
Fair value of plan assets	(114,400)	(109,900)
<b>Funded status</b>	<b>(4,200)</b>	<b>(3,800)</b>
Effect of asset ceiling	-	-
Net defined benefit liability/(asset)	<u>(4,200)</u>	<u>(3,800)</u>
Closing deferred tax balance	1,470	1,330
Net defined benefit liability/(asset) after taxation	<u>(2,730)</u>	<u>(2,470)</u>

#### Defined benefit obligation:

	2015 £'000	2014 £'000
Defined benefit obligation by participant status		
Actives	16,300	18,400
Vested deferreds	69,600	69,800
Retirees	24,300	17,900
<b>Total</b>	<u>110,200</u>	<u>106,100</u>



# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

### 21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

#### Cost relating to defined benefit plans:

	2015 £'000	2014 £'000
Cost (excluding interest)		
Interest expense on DBO	3,900	3,900
Interest (Income) on plan assets	(4,400)	(4,000)
<b>Total net interest cost</b>	<b>(500)</b>	<b>(100)</b>
Administrative expenses and/or taxes (not reserved within DBO)	400	400
<b>Cost relating to defined benefit plans included in statement of comprehensive income</b>	<b>(100)</b>	<b>300</b>
Remeasurements (recognised in other comprehensive income)		
Effect of change in assumptions	5,000	14,300
Effect of experience adjustments	(3,000)	1,900
Return on plan assets (excluding interest income)	5,000	(16,800)
<b>Total remeasurements included in other comprehensive income</b>	<b>7,000</b>	<b>(600)</b>
Total taxation included in statement of total comprehensive income	140	2,123
<b>Total cost related benefit plans recognised in the total statement of comprehensive income</b>	<b>7,140</b>	<b>1,523</b>

#### Plan assets:

	2015 £'000	2014 £'000
Fair value of plan assets		
Cash and cash equivalents	3,300	4,000
Debt instruments	88,000	87,000
Diversified growth assets	23,100	18,900
<b>Total</b>	<b>114,400</b>	<b>109,900</b>
Actual return on plan assets	(600)	20,800

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

	2015 %	2014 %
Discount rate	3.75	3.75
Salary increase rate	3.75	5.00
Price inflation rate (RPI)	3.50	3.50
Price inflation rate (CPI)	2.75	2.75
Pension in payment increase rate	3.50	3.50

# UNIVERSAL MUSIC OPERATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

### 21. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

The total pension contributions made by the company were £7,300,000 in 2015 (2014 - £7,600,000). The company charged a service fee amounting to £Nil in 2015 (2014 - £Nil) to fellow subsidiaries in respect of defined benefit contributions.

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

	2015 %	2014 %
Discount rate	3.75	3.75
Salary increase rate	5.00	5.00
Price inflation rate (RPI)	3.50	3.50
Price inflation rate (CPI)	2.75	2.75
Pension in payment increase rate	3.50	3.50

Expected total benefit payments:

Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000	Next 5 years £'000
1,500	1,300	1,600	1,800	2,000	13,400

With effect from 1 December 2006, the defined benefit section of the scheme closed to future accrual. Past service benefits remain linked to the final salary for active members of the scheme who accrued defined benefits up to or after 1 October 2005. The participating employers to the scheme agreed to contribute a minimum of £6,700,000 per annum, plus the cost of administration expenses and death in service insurance premiums. The company's share of this amounted to £7,300,000, in 2015 (2014 - £7,600,000). The company expects to contribute £7,300,000 to its pension plan in 2016.

### 22. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the company had commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2015 £'000	2014 £'000
Operating leases which expire:		
Within 1 year	5,357	4,654
Within 2 to 5 years	7,292	10,705
After more than 5 years	1,941	2,997
	<u>14,590</u>	<u>18,356</u>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. RELATED PARTY TRANSACTIONS**

During the year, Universal Music Operations Limited operated a joint venture with All Around The World Limited, a company which is 50% owned. At 31 December 2015, Universal Music Operations Limited were owed by this related party £1,664,000 (2014 : £263,000). Universal Music Operations Limited also has 50% shareholdings in Future Records Limited which owed the company £4,808,000 (2014 : £5,169,000) and Global Talent Music Recordings Limited which the company owe £2,295,477 (2014 : £440,000) as at 31 December 2015. Universal Music Operations Limited also have a 25% shareholding in Mother Records Limited who owed the company £355,000 as at 31 December 2015 (2014 : £165,000). Universal Music Operations Limited also has 51% shareholdings in Naughty Records Limited and as at 31 December 2015 owed the company £998,085 (2014 : £426,220).

Purchases from All Around The World Limited during the year 2015 were £1,401,000 (2014: purchases £336,000). Purchases from Future Records Ltd during the year 2015 were £361,000 (2014 : purchases £380,000). Purchases from Global Talent Music Recordings Limited during the year 2015 were £1,855,477 (2014 : £2,034,000). Sales from Mother Records Limited during the year 2015 were £190,000 (2014 : £Nil). Sales to Naughty Records Limited during the the year 2015 were £570,865 (2014 : £426,220).

**24. POST BALANCE SHEET EVENT**

No post balance sheet events have been identified by management.

**25. CAPITAL COMMITMENTS**

The company had no capital commitments at 31 December 2015 or 31 December 2014.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**26. SHARE CAPITAL**

**Allotted, called up and fully paid:**

	2015 No	£'000	2014 No	£'000
Ordinary shares of £1 each	15,000	15	15,000	15
4.82% of non-redeemable preference shares of £1 each	2,045	2	2,045	2
	<u>17,045</u>	<u>17</u>	<u>17,045</u>	<u>17</u>

	2015 £'000	2014 £'000
<b>Amounts presented in equity:</b>		
15,000 of Ordinary shares of £1 each	15	15
	<u>15</u>	<u>15</u>
<b>Amounts presented in liabilities:</b>		
4.82% non-redeemable preference shares of £1 each	2	2
	<u>2</u>	<u>2</u>

The preference shares, classified as financial liabilities on the balance sheet, carry the right to preferential dividends at the rate of 4.82% per annum of the amount paid up (including the premium). The shares carry the following rights and obligations:

- On a return of assets, on a winding up, or otherwise, the shares carry the right to a sum equal to all arrears or accruals of the fixed dividend to the date of commencement of the winding-up and no right to repayment of capital. Holders of non-redeemable preference shares are not entitled to any right of participation in the assets of the company.
- The shares carry the right to receive notice of or to attend or vote at General Meetings of the company. Whenever the holders of the preference shares are entitled to vote on a resolution at a general meeting of the company, the shares carry the right to one vote per share.
- The shares carry the right to two preferential dividends on 30 June and 31 December per annum at the rate of 4.82% per annum of the amount paid up (including the premium), or any amount which falls to be treated as paid up, on each preference shares. Holders of preference shares are not entitled to any further right of participation in the profits of the company

On 20 March 2008 the holder of all of the issued fixed-rate, non-redeemable preference shares irrevocably waived any and all rights in respect of any accrued preferential dividends.

The non-redeemable preference shares valued at £2,045 and the related share premium of £135,998,000 are therefore considered in total as £136,000,045 of non-equity.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**27. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Universal Music Leisure Limited. 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

**28. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP**

As stated in note 2, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

Reconciliations provided shall, to the extent practicable, distinguish the correction of errors from changes in accounting policies.

FRS 102, section 28.22 allows for a defined benefit scheme surplus to be recognised at the reporting date at which the scheme has a surplus.

There was no impact to 31 December 2013 on transition to FRS 102.

On implementation of FRS 102, at 31 December 2014 the defined benefit plan surplus of £3,800,000 has been recognised.

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2015**

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**28. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (continued)**

**Reconciliation of Profit and Loss**

		2014	
	UK GAAP	Effect of	FRS 102
Note	£'000	transition to FRS 102 £'000	£'000
<b>TURNOVER</b>	322,875	-	322,875
Cost of sales	(216,493)	-	(216,493)
<b>GROSS PROFIT</b>	106,382	-	106,382
Distribution costs	(4,525)	-	(4,525)
Administrative expenses	(81,983)	-	(81,983)
<b>OPERATING PROFIT</b>	19,874	-	19,874
	19,874	-	19,874
Income from participating interests	6,485	-	6,485
Interest receivable and similar income	13,612	-	13,612
Amounts written off investments	(4,204)	-	(4,204)
Interest payable and similar charges	(41,641)	-	(41,641)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(5,874)	-	(5,874)
Tax on loss on ordinary activities	16	(690)	(674)
<b>LOSS FOR THE FINANCIAL YEAR</b>	(5,858)	(690)	(6,548)
Actuarial gain in respect of defined pension scheme	(3,200)	3,800	600
<b>Total other comprehensive gain</b>	(3,200)	3,800	600
Tax on other comprehensive gain	640	(640)	-
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR</b>	(8,418)	2,470	(5,948)

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
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**28. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (continued)**

**Reconciliation of Equity**

		UK GAAP	2013 Effect of transition to FRS 102	FRS 102	UK GAAP	2014 Effect of transition to FRS 102	FRS 102
	<b>Note</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>							
Property, plant & equipment		3,571	-	3,571	2,035	-	2,035
Financial assets		5,004	-	5,004	800	-	800
Defined benefit pension scheme asset	<b>b</b>	-	-	-	-	2,470	2,470
		<u>8,575</u>	<u>-</u>	<u>8,575</u>	<u>2,835</u>	<u>2,470</u>	<u>5,305</u>
<b>CURRENT ASSETS</b>							
Stocks		1,780	-	1,780	1,665	-	1,665
Debtors : Amounts due within one year		1,765,002	-	1,765,002	1,919,751	-	1,919,751
		<u>1,766,782</u>	<u>-</u>	<u>1,766,782</u>	<u>1,921,416</u>	<u>-</u>	<u>1,921,416</u>
<b>CREDITORS: Amounts falling due within one year</b>		<u>(1,473,331)</u>	<u>-</u>	<u>(1,473,331)</u>	<u>(1,629,429)</u>	<u>-</u>	<u>(1,629,429)</u>
<b>NET CURRENT ASSETS</b>		<u>293,451</u>	<u>-</u>	<u>293,451</u>	<u>291,987</u>	<u>-</u>	<u>291,987</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>302,026</u>	<u>-</u>	<u>302,026</u>	<u>294,822</u>	<u>2,470</u>	<u>297,292</u>
<b>CREDITORS: Amounts falling due after more than one year</b>		<u>(136,000)</u>	<u>-</u>	<u>(136,000)</u>	<u>(136,000)</u>	<u>-</u>	<u>(136,000)</u>
<b>PROVISIONS FOR LIABILITIES</b>							
Deferred taxation		(1,245)	-	(1,245)	(34)	-	(34)
Provisions for liabilities and charges		(15,916)	-	(15,916)	(21,560)	-	(21,560)
		<u>148,865</u>	<u>-</u>	<u>148,865</u>	<u>137,228</u>	<u>2,470</u>	<u>139,698</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>148,865</u>	<u>-</u>	<u>148,865</u>	<u>137,228</u>	<u>2,470</u>	<u>139,698</u>
Defined benefit pension scheme liability		(3,219)	-	(3,219)	-	-	-
		<u>145,646</u>	<u>-</u>	<u>145,646</u>	<u>137,228</u>	<u>2,470</u>	<u>139,698</u>
<b>NET ASSETS</b>		<u>145,646</u>	<u>-</u>	<u>145,646</u>	<u>137,228</u>	<u>2,470</u>	<u>139,698</u>
<b>CAPITAL AND RESERVES</b>							
Called-up equity share capital		15	-	15	15	-	15
Profit and loss account	<b>a</b>	145,631	-	145,631	137,213	2,470	139,683
		<u>145,646</u>	<u>-</u>	<u>145,646</u>	<u>137,228</u>	<u>2,470</u>	<u>139,698</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>145,646</u>	<u>-</u>	<u>145,646</u>	<u>137,228</u>	<u>2,470</u>	<u>139,698</u>

**UNIVERSAL MUSIC OPERATIONS LIMITED**  
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**Notes to the reconciliation of profit**

- a) In the transition to FRS 102, the surplus plan asset at 31 December 2014 of £3,800,000 has been recognised, in other comprehensive income.

Deferred taxation adjustments have been recognised in profit and loss of £690,000 and in other comprehensive income of £640,000, on implementation of FRS 102.

**Notes to the reconciliation of financial statements**

- b) In the transition to FRS 102, the surplus plan asset at 31 December 2014 of £3,800,000 has been recognised in defined benefit pension scheme asset.

The deferred taxation liability on implementation of FRS 102 at 31 December 2014 of £1,330,000 has been recognised in defined benefit pension scheme asset.