

COMPANY REGISTRATION NUMBER 02232788

**ZTT RECORDS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# **ZTT RECORDS LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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## **ZTT RECORDS LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

**YEAR ENDED 31 DECEMBER 2019**

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**THE BOARD OF DIRECTORS**

AM Barker  
DRJ Sharpe

**COMPANY SECRETARY**

A Abioye

**REGISTERED OFFICE**

4 Pancras Square  
London  
N1C 4AG

**AUDITOR**

Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
30 Finsbury Square  
London  
EC2A 1AG  
United Kingdom

# **ZTT RECORDS LIMITED**

## **STRATEGIC REPORT**

### **YEAR ENDED 31 DECEMBER 2019**

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The directors present their strategic report for the company for the year ended 31 December 2019. In the prior period, the company changed its accounting reference date from 31 October to 31 December to align it with other group entities.

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

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

The result of the company for the year ended 31 December 2019 and its position as at that date are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 9, 10 and 11 respectively. The result and position of the company were in line with directors' expectations.

#### **RESULTS AND DIVIDENDS**

The company's profit for the financial year was £299,068 (2018 - profit £227,012). The retained profit for the year has been transferred to reserves. The directors do not recommend a dividend payment for the year ended 31 December 2019 (2018 - £Nil).

#### **KEY PERFORMANCE INDICATORS**

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

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

Turnover has increased by £73,988 compared to the previous year, as management have begun to exploit the company's catalogue of recorded music. The directors expect this trend to continue in future years.

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

Gross profit margin has increased to 74% (2018 - 70%). This is driven by the increased revenues noted above, combined with the company's low cost base.

##### ***Net assets***

The company has net assets of £1,195,788 (2018 - £896,720), the increase being driven by the company's profitability.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company uses a variety of financial instruments including equity and other instruments such as artist advances 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 interest rate risk and liquidity risk, as summarised below:

##### ***Interest rate risk***

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

##### ***Liquidity risk***

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

## **ZTT RECORDS LIMITED**

### **STRATEGIC REPORT (continued)**

**YEAR ENDED 31 DECEMBER 2019**

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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 other major and independent record companies that market and distribute recorded music and video;
- competition from alternative entertainment products;
- the threat of a devalued product due to piracy and the illegal use of music; and
- uncertainty as to whether the growth in the subscription services market will continue in the longer term.

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

#### ***Brexit***

On the 31st January 2020 the United Kingdom left the European Union (EU) and is in the process of negotiating a future relationship with the EU.

As at the signing date the nature of this relationship and its implications for the company are not clear.

The directors of the company continue to monitor the possible impact that the outcomes of this negotiation may have on the company.

The directors have put in place scenario planning which will allow the company to continue to operate in any of the feasible scenarios including leaving the EU without a deal.

#### ***COVID-19***

On 23 March 2020, the UK government announced lockdown restrictions as a result of Covid-19. Given that the company's activities relate to exploitation of an existing catalogue of recorded music, and it has a low cost base, the directors do not consider that the restrictions will have a significant impact. The directors will continue to monitor the impact over the coming months.

#### ***Climate change***

At this stage the directors do not consider that the effects of climate change pose a significant risk to the company's operations.

#### **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

*David Sharpe*

DRJ Sharpe  
Director

Date: 21 May 2020

## **ZTT RECORDS LIMITED**

### **DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2019**

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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 2019.

They have included the following matters within the strategic report, otherwise required to be disclosed in the directors' report, as they are considered to be of strategic importance to the company.

- Results and dividends;
- Financial risk management objectives and policies;
- Principal risks and uncertainties; and
- Future developments.

#### **DIRECTORS**

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

AM Barker  
DRJ Sharpe

#### **DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

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

#### **POLICY ON THE PAYMENT OF CREDITORS**

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

#### **DONATIONS**

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

#### **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 this includes an assessment of the uncertainties created by Covid-19. After making enquiries, and considering the broader macro-economic climate including Brexit and Covid-19, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future, and at least 12 months from the date the financial statements are authorised for issue. In considering the going concern assumption, the directors have reached their conclusion based on future trading forecasts as well as the support of the group treasury function through daily transactions. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## ZTT RECORDS LIMITED

### DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

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#### DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITOR

The directors confirm that:

- so far as each director is 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.

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

#### POST BALANCE SHEET EVENT

On 23 March 2020, the UK government announced lockdown restrictions as a result of Covid-19. Given that the company's activities relate to exploitation of an existing catalogue of recorded music, and it has a low cost base, the directors do not consider that the restrictions will have a significant impact. The directors will continue to monitor the impact over the coming months.

By order of the board

*Bola Abioye*  
A Abioye

Company Secretary

Date: 21 May 2020

Company Registration Number: 02232788

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## **ZTT RECORDS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZTT RECORDS LIMITED YEAR ENDED 31 DECEMBER 2019**

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#### **Opinion**

We have audited the financial statements of ZTT Records Limited (the 'company') for the year from 1 January 2019 to 31 December 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

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

#### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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



## **ZTT RECORDS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZTT RECORDS LIMITED (continued)**

**YEAR ENDED 31 DECEMBER 2019**

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#### **Conclusions relating to going concern (continued)**

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **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 period 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.

#### **Matter on which we are required to report under the Companies Act 2006**

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.

## **ZTT RECORDS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZTT RECORDS LIMITED (continued)**

**YEAR ENDED 31 DECEMBER 2019**

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#### **Responsibilities of directors of the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

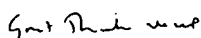
#### **Auditor's responsibilities for the audit of the financial statements**

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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### **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.



Nicholas Page (Senior Statutory Auditor)

For and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London, United Kingdom

Date: 21 May 2020

Company Registration Number: 02232788

**ZTT RECORDS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2019**

	Note	12m ended 31/12/2019 £	14m ended 31/12/2018 £
<b>TURNOVER</b>	<b>4</b>	<b>550,900</b>	476,912
Cost of sales		<u>(143,778)</u>	<u>(141,351)</u>
<b>GROSS PROFIT</b>		<b>407,122</b>	335,561
Distribution costs		(11,356)	(10,294)
Administrative expenses		<u>(26,546)</u>	<u>(56,166)</u>
<b>OPERATING PROFIT</b>		<b>369,220</b>	269,101
<b>PROFIT BEFORE TAXATION</b>		<b>369,220</b>	269,101
Tax on profit	<b>7</b>	<u>(70,152)</u>	<u>(42,089)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>299,068</b>	227,012
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>299,068</u></b>	<b><u>227,012</u></b>

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

**The notes on pages 12 to 18 form part of these financial statements**

**ZTT RECORDS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	8	1,843,257	1,415,887
		<u>1,843,257</u>	<u>1,415,887</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	(647,469)	(519,167)
<b>NET CURRENT ASSETS</b>		<u>1,195,788</u>	<u>896,720</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,195,788</u>	<u>896,720</u>
<b>NET ASSETS</b>		<u>1,195,788</u>	<u>896,720</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	10	100,150	100,150
Profit and loss account		<u>1,095,638</u>	<u>796,570</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,195,788</u>	<u>896,720</u>

These financial statements were approved by the board of directors and authorised for issue on 21 May 2020 and are signed on their behalf by:

*David Sharpe*

DRJ Sharpe  
Director

Company Registration Number: 02232788

**The notes on pages 12 to 18 form part of these financial statements**

**ZTT RECORDS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2019**

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	Share capital £	Profit & loss account £	Total shareholders' funds £
Balance brought forward 1 November 2017	100,150	569,558	669,708
<b>Total comprehensive income</b>			
Profit for the financial period	-	227,012	227,012
Balance brought forward 1 January 2019	100,150	796,570	896,720
<b>Total comprehensive income</b>			
Profit for the financial year	-	299,068	299,068
<b>Balance carried forward at 31 December 2019</b>	<b>100,150</b>	<b>1,095,638</b>	<b>1,195,788</b>

The notes on pages 12 to 18 form part of these financial statements

# **ZTT RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2019**

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#### **1. GENERAL INFORMATION**

ZTT Records 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, NIC 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.

In the prior period, the company changed its accounting reference date from 31 October to 31 December to align it with other group entities.

#### **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 £.

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

##### **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 period;
- from disclosing related party transactions with wholly owned group companies; 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.

##### **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 this includes an assessment of the uncertainties created by Covid-19. After making enquiries, and considering the broader macro-economic climate including Brexit and Covid-19, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future, and at least 12 months from the date the financial statements are authorised for issue. In considering the going concern assumption, the directors have reached their conclusion based on future trading forecasts as well as the support of the group treasury function through daily transactions. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **ZTT RECORDS LIMITED**

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

#### **YEAR ENDED 31 DECEMBER 2019**

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

#### **Revenue recognition**

Turnover represents the value of services rendered and royalty income, excluding VAT. Turnover is attributable to one activity; the marketing and distribution of recorded music.

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. Royalties payable are charged against the relevant income of the same period.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### ***Financial assets and liabilities***

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

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

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

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

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

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### ***Equity instruments***

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

## **ZTT RECORDS LIMITED**

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

#### **YEAR ENDED 31 DECEMBER 2019**

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

#### **Impairment**

##### *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

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



**ZTT RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (continued)****Critical accounting judgements and key sources of estimation uncertainty**

The directors may make judgements in the application of the accounting policies above that have a significant impact on the amounts recognised, and may make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the company's accounting policies**

The directors have concluded there are no critical judgements to disclose.

**Key source of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Advances**

The company makes provisions against advances based on an estimation of the likelihood of recovering the balance through future royalties, which involves an element of estimation. The actual royalties may differ from these estimates.

**4. TURNOVER****Turnover by activity is as follows:**

	<b>12m ended 31/12/2019</b>	<b>14m ended 31/12/2018</b>
	<b>£</b>	<b>£</b>
Product sales	<b>247,890</b>	274,417
Royalties	<b>303,010</b>	202,495
	<b><u>550,900</u></b>	<b><u>476,912</u></b>

**Turnover by destination is as follows:**

	<b>12m ended 31/12/2019</b>	<b>14m ended 31/12/2018</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>455,890</b>	476,912
Rest of Europe	<b>16,786</b>	-
United States of America	<b>64,516</b>	-
Rest of World	<b>13,708</b>	-
	<b><u>550,900</u></b>	<b><u>476,912</u></b>

**ZTT RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2019****5. AUDITOR'S REMUNERATION**

The auditor's remuneration for the year ended 31 December 2019 was £10,000 (2018 - £9,750).

**6. PARTICULARS OF EMPLOYEES**

The company had no employees during the year ended 31 December 2019 and the period ended 31 December 2018. 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 (2018 - 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 directors are deemed to be the only key management personnel in ZTT Records Limited.

**7. TAX ON PROFIT****(a) Analysis of tax charge in the year**

	12m ended 31/12/2019 £	14m ended 31/12/2018 £
<b>Current tax:</b>		
Adjustments in respect of previous years	-	(9,040)
Group relief payable for losses claimed from other group undertakings	70,152	51,129
<b>Total current tax</b>	<b>70,152</b>	<b>42,089</b>

**(b) Factors affecting tax charge**

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

Under the Finance (No.2) Act 2015, the main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2017. A further reduction to 17% from 1 April 2020 was also enacted on 15 September 2016 by virtue of the Finance Act 2016 s46. However, as announced in the Budget on 11 March 2020, the corporation tax main rate will not reduce to 17% and remain at 19%. 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.

	12m ended 31/12/2019 £	14m ended 31/12/2018 £
Profit before taxation	369,220	269,101
Profit at the standard rate of UK Corporation tax of 19.00% (2018 - 19.00%)	70,152	51,129
Adjustments in respect of previous periods	-	(9,040)
<b>Current tax charge</b>	<b>70,152</b>	<b>42,089</b>

**ZTT RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2019**

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**7. TAX ON PROFIT (continued)****(c) Factors that may affect future tax charges**

The company has total unutilised tax losses carried forward estimated at £13,067 (2018 - £13,067), 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.

**8. DEBTORS: Amounts falling due within one year**

	2019 £	2018 £
Amounts due from group undertakings	1,831,316	1,410,648
Other debtors	71	-
Prepayments and accrued income	11,870	5,239
	<u>1,843,257</u>	<u>1,415,887</u>

All artists advances have been fully provided for as at the reporting date. All amounts due from group undertakings are interest free, unsecured and repayable on demand.

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

	2019 £	2018 £
Trade creditors	127,037	98,127
Amounts owed to group undertakings	510,432	410,490
Accruals and deferred income	10,000	10,550
	<u>647,469</u>	<u>519,167</u>

All amounts owed to group undertakings are interest free, unsecured and repayable on demand.

**ZTT RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2019****10. SHARE CAPITAL AND RESERVES**

Allotted, called up and fully paid:

	2019		2018	
	No	£	No	£
Ordinary A shares of £2 each	50	100	50	100
Ordinary B shares of £1 each	100,050	100,050	100,050	100,050
	<u>100,100</u>	<u>100,150</u>	<u>100,100</u>	<u>100,150</u>

The company has two classes of ordinary shares both of which carry full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

The profit and loss reserve represents cumulative profits or losses, net of dividends and other adjustments.

**11. POST BALANCE SHEET EVENTS**

Covid-19 is a non-adjusting post balance sheet event. On 23 March 2020, the UK government announced lockdown restrictions as a result of Covid-19. Given that the company's activities relate to exploitation of an existing catalogue of recorded music, and it has a low cost base, the directors do not consider that the restrictions will have a significant impact. The directors will continue to monitor the impact over the coming months.

**12. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Universal Music Operations 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