

Company Registration No. 698804

**UNIVERSAL/DICK JAMES MUSIC
LIMITED**

Directors' Report and Financial Statements

For the year ended 31 December 2003



UNIVERSAL/DICK JAMES MUSIC LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003**

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UNIVERSAL/DICK JAMES MUSIC LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The Company's principal activity during the year was music publishing. There has been no significant change in this activity during 2003. The directors expect that there will be no significant change in the forthcoming year.

BUSINESS REVIEW

The results for the year ended 31 December 2003 are given in the profit and loss account on page 3 of the financial statements. Trading was in line with directors' expectations.

RESULTS AND DIVIDENDS

The company's profit on ordinary activities after tax for the year was £2,176,000 (year ended 31 December 2002: £4,158,000). The directors do not recommend the payment of a dividend (year ended 31 December 2002: £nil). The retained profit for the year was transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year and subsequently were as follows:

P E Connolly

R J Morris

S N Baker (appointed 9 April 2003)

At no time during the year ended 31 December 2003 did any director have any interest which is required to be disclosed under s.234 of the Companies Act 1985.

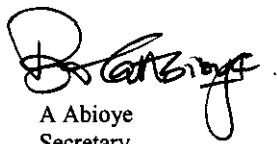
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Approved by the Board of Directors and signed on behalf of the Board



A Abioye
Secretary

1 Sussex Place
London
W6 9XS

27th October 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNIVERSAL/DICK JAMES MUSIC LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

27th October 2004

UNIVERSAL/DICK JAMES MUSIC LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	31 December 2003 £'000	31 December 2002 £'000
TURNOVER	2	3,591	3,042
Cost of sales		(394)	(470)
GROSS PROFIT		3,197	2,572
Administrative expenses		(94)	(106)
Other operating income		6	10
OPERATING PROFIT		3,109	2,476
Interest receivable and similar income	5	-	9
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,109	2,485
Tax on profit on ordinary activities	6	(933)	1,673
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,176	4,158
RETAINED PROFIT FOR THE FINANCIAL YEAR	13	2,176	4,158

The results are derived entirely from continuing operations.

The company has no recognised gains and losses in either year other than the profit reported above and therefore no separate statement of total recognised gains and losses has been presented.

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

UNIVERSAL/DICK JAMES MUSIC LIMITED

BALANCE SHEET

As at 31 December 2003

	Note	31 December 2003 £'000	31 December 2002 £'000
FIXED ASSETS			
Intangible assets	7	95	189
Investments	8	8	8
		<u>103</u>	<u>197</u>
CURRENT ASSETS			
Debtors	9	14,531	11,513
CREDITORS: amounts falling due within one year	10	<u>(6,247)</u>	<u>(5,499)</u>
NET CURRENT ASSETS		<u>8,284</u>	<u>6,014</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,387	6,211
PROVISIONS FOR LIABILITIES AND CHARGES	11	(86)	(86)
NET ASSETS		<u>8,301</u>	<u>6,125</u>
CAPITAL AND RESERVES			
Called-up share capital	12	-	-
Profit and loss account	13	8,301	6,125
EQUITY SHAREHOLDERS' FUNDS	14	<u>8,301</u>	<u>6,125</u>

These financial statements on pages 3 to 11 were approved by the Board of Directors on 27th October 2004.

Signed on behalf of the Board of Directors



R J Morris
Director

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2003

1. ACCOUNTING POLICIES

a) Basis of preparation

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

Cashflow statement and related party transactions

At 31 December 2003, the company was a subsidiary undertaking where 90% or more of the voting rights were controlled within the Vivendi Universal S.A. group and it is included in the consolidated financial statements of the group, which are publicly available. The company has consequently taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard ("FRS") 1 (revised 1996) "Cash Flow Statements" and the exemption from disclosing related party transactions with entities that are part of the Vivendi Universal S.A. group or investees of that group under the terms of FRS 8 "Related Party Disclosures".

Consolidated financial statements

Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Universal Music Leisure Limited, a company incorporated in the European Union, and is therefore exempt under Section 228 of the Companies Act 1985 from the obligation to prepare and deliver group financial statements.

b) Turnover

Turnover represents the amounts received in respect of royalty income, exclusive of value added tax. UK royalty income is credited to the profit and loss account on a receipts basis.

Overseas royalty income, which is all collected on behalf of the company by other group undertakings, is credited to the profit and loss account in the period overseas sales are reported to the company.

c) Advances

Advances to artists are written down to the estimated amount that will be recoverable from future royalty receipts. Net advances to artists are classified within debtors: amounts due within one year although advances may be recoverable after more than one year.

Advances to unproven artists are expensed. Advances to other artists are written down to the estimated amount that will be recoverable from future royalty receipts.

d) Intangible fixed assets

Investments in music catalogues are stated at cost less accumulated amortisation and provision for impairment. The catalogues are amortised over their expected useful lives of seven years, on a straight line basis.

e) Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for impairment, where appropriate, to arrive at a value equating to estimated recoverable amounts.

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

1. ACCOUNTING POLICIES (Continued)

f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events, that result in an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and loss and its results as stated in financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply to the period in which the timing differences are expected to reverse based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

g) Foreign currency

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the market rates of exchange ruling at that date. All differences are included in the profit and loss account.

2. TURNOVER

Turnover is derived from one continuing activity, music publishing. An analysis of turnover by geographical market is given below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Turnover		
United Kingdom	957	730
Rest of Europe	633	529
United States of America	1,442	1,353
Other	559	430
	<u>3,591</u>	<u>3,042</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of investment in music catalogues	<u>94</u>	<u>94</u>

Auditors' remuneration of £4,000 (2002: £8,000) and certain other administrative costs were borne by other fellow group undertakings. No amount was payable to the company's auditors in respect of non-audit services in either period.

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2003

4. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

There were no employees during either year.

The directors received no remuneration in respect of their services to the company (2002: £nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Interest receivable	-	9
	-	9

6. TAX ON PROFIT FROM ORDINARY ACTIVITIES

a) Analysis of charge/(credit) in the period

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Current tax		
UK corporation tax on profits for the year	-	745
Payments for group relief	933	-
Adjustments in respect of previous periods	-	(2,418)
Total current tax charge/(credit) (note 6b))	933	(1,673)
Tax charge/(credit) on profit on ordinary activities	933	(1,673)

Adjustments in respect of previous periods primarily relate to write off of prior year group relief, due to a management decision not to pay for these losses.

There were no deferred tax balances in either period.

b) Factors affecting tax charge for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities before tax	3,109	2,485
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	933	745
Effects of:		
Adjustments to tax charge in respect of prior periods	-	(2,418)
Current tax (credit)/charge for period (note 6 a))	933	(1,673)

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2003

7. INTANGIBLE FIXED ASSETS

	Investment in music catalogues £'000
Cost	
At 1 January and 31 December 2003	5,400
Amortisation	
At 1 January 2003	5,211
Amortised during the year	94
At 31 December 2003	5,305
Net book amount	
At 31 December 2003	95
At 31 December 2002	189

8. FIXED ASSET INVESTMENTS

	Subsidiary and associated undertakings £'000
Cost	
At 1 January 2003 and 31 December 2003	96
Impairment	
At 1 January 2003 and 31 December 2003	88
Net book amount	
At 31 December 2003 and 31 December 2003	8

Information about the subsidiary and associated undertakings is set out below:

Name	Proportion of ordinary share capital held	Country of Registration	Nature of business
DJM Records Limited	98%	England & Wales	Production and distribution
This Record Company Limited	99%	England & Wales	Record production
Amused Productions Limited (dormant)	100%	England & Wales	Music publishing

All holdings are held directly with the exception of DJM Records Limited which is held indirectly through This Record Company Limited.

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2003

8. FIXED ASSET INVESTMENTS (Continued)

Associated undertakings

Name	Proportion of ordinary share capital held	Country of Registration	Nature of business
Alto Music Limited	50%	England & Wales	Music publishing
Debonaire Music Limited	40%	England & Wales	Music publishing
Dominic Music Limited	50%	England & Wales	Music publishing
Gralto Music Limited	50%	England & Wales	Music publishing
Pageant Music Limited	50%	England & Wales	Music publishing
Tiger Music Limited	50%	England & Wales	Music publishing
Spencer Davis Music Limited	25%	England & Wales	Music publishing

All holdings are held directly with the exception of Spencer Davis Music Limited which is held indirectly through Gralto Music Limited.

The directors have considered the carrying value of investments and are of the opinion that the aggregate value of the company's investments in subsidiary and associate undertakings, including amounts owed by subsidiary and associate undertakings, is not less than the amount at which they are stated in the financial statements.

9. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Trade debtors	22	16
Amounts owed by group undertakings	14,509	11,497
	<u>14,531</u>	<u>11,513</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Trade creditors	616	845
Amounts owed to group undertakings	4,500	3,567
Corporation tax	1,036	1,036
Other creditors	20	16
Accruals and deferred income	75	35
	<u>6,247</u>	<u>5,499</u>

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

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Royalty audit provision £'000
At 1 January 2003 and 31 December 2003	86

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

12. CALLED-UP SHARE CAPITAL

	As at 31 December 2003 £	As at 31 December 2002 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Authorised, allotted, called-up and fully paid:		
108 ordinary shares of £1 each	108	108

13. RESERVES

	Share capital £'000	Profit and loss account £'000	Total equity shareholders' funds £'000
At 1 January 2003	-	6,125	6,125
Profit for the year	-	2,176	2,176
At 31 December 2003	-	8,301	8,301

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	2,176	4,158
Net addition to equity shareholders' funds	2,176	4,158
Opening equity shareholders' funds	6,125	1,967
Closing equity shareholders' funds	8,301	6,125

UNIVERSAL/DICK JAMES MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

15. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Universal Music Leisure Limited a company incorporated in England and Wales and the ultimate parent undertaking and controlling party is Vivendi Universal S.A., incorporated in France.

The smallest and largest group in which the results of the company are consolidated is that headed by Vivendi Universal S.A. Copies of its annual report in English may be obtained from the Company Secretary at 42 Avenue de Friedland, 75380, Paris, Cedex 08, France.