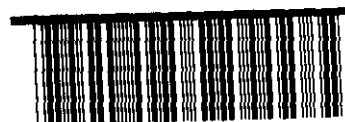


Rondor Music (London) Limited

Report and Financial Statements

31 December 2004



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Rondor Music (London) Limited

Registered No. 891935

Directors

P E Connolly

R J Morris

Secretary

A Abioye

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Registered Office

134-144 New Kings Road

London SW6 4FX

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Results and dividends

The company's profit on ordinary activities after tax was £1,113,000 (2003 – profit of £370,000). The directors do not recommend the payment of a dividend (2003 – £nil). The retained profit was transferred to reserves.

Principal activities, review of business and future developments

The company's principal activity during the year was music publishing. No significant change to this activity is expected in the forthcoming year.

The results of the company for the year ended 31 December 2004 are given in the profit and loss account on page 6 of the financial statements. Trading was in line with directors' expectations.

Directors and their interests

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

R J Morris

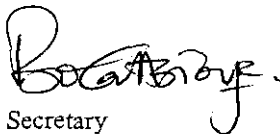
P E Connolly (appointed 4 January 2005)

At no time during the year ended 31 December 2004 did the directors have any interest which is required to be disclosed under section 324 of the Companies Act 1985.

Auditors

Pricewaterhouse Coopers resigned as auditors on the 20 December 2004 and Ernst & Young LLP was appointed on 20 December 2004 as the company's auditors in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985.

By order of the Board


Secretary

14th March 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the members of Rondor Music (London) Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

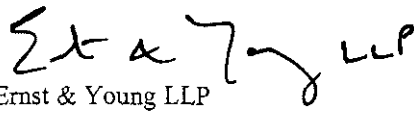
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report

to the members of Rondor Music (London) Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

17 March 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover	2	8,656	9,360
Cost of sales		(6,521)	(7,419)
Gross profit		2,135	1,941
Administrative expenses		(769)	(1,405)
Operating profit		1,366	536
Interest receivable and similar income	5	-	2
Interest payable and similar charges	6	(2)	(3)
Profit on ordinary activities before taxation	4	1,364	535
Tax on profit on ordinary activities	7	(251)	(165)
Retained profit for the financial year	17	1,113	370

Statement of total recognised gains and losses

for the year ended 31 December 2004

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,113,000 for the year ended 31 December 2004.

Balance sheet

at 31 December 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Intangible fixed assets	8	–	34
Tangible fixed assets	9	–	57
		<u>–</u>	<u>91</u>
Current assets			
Debtors	10	7,432	5,949
Creditors: amounts falling due within one year	12	(5,324)	(5,068)
Net current assets		<u>2,108</u>	<u>881</u>
Total assets less current liabilities		<u>2,108</u>	<u>972</u>
Creditors: amounts falling due after more than one year	13	–	(16)
Provisions for liabilities and charges	14	(216)	(177)
Net assets		<u>1,892</u>	<u>779</u>
Capital and reserves			
Called up share capital	16	–	–
Profit and loss account	17	1,892	779
Equity shareholders' funds	17	<u>1,892</u>	<u>779</u>

Signed on behalf of the Board of Directors



R J Morris

Director 14th March 2005

Notes to the financial statements

at 31 December 2004

1. Accounting policies

Accounting convention

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

Statement of cash flows and related party disclosures

At 31 December 2004, 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. Consequently, the company has taken advantage of the exemption from preparing a statement of cash flows under the terms of Financial Reporting Standard ("FRS 1") (revised 1996).

The company was also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Vivendi Universal S.A. group or investees of that group, and it has taken advantage of that exemption.

Intangible fixed assets

Investments in music catalogues are stated at cost less accumulated amortisation and any provision for impairment. The catalogues are amortised over their expected useful lives of 7 years, on a straight-line basis.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	–	15% per annum
Playing equipment	–	25% per annum
Motor vehicles	–	25% per annum

Royalties and advances

UK royalty income is credited to the profit and loss account on a receipts basis. Royalties payable are charged against the relevant income of the same period. 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.

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.

Turnover

Turnover consists of royalties and production and dubbing fees, net of value added tax.

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.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2004

1. Accounting policies (continued)

Pensions and other post retirement benefits

The company participates in a number of pension schemes in the UK ultimately operated by Vivendi Universal S.A. Contributions and pension costs are based on pension costs across the group as a whole. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employee's services. The effects of variations from regular costs are spread over the expected remaining working lifetime of members of the Scheme after making suitable allowances for future withdrawals.

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.

Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital element reduces the amounts payable to the lessor.

2. Turnover

The turnover and loss on ordinary activities before taxation are attributable to the one principal activity of the company.

	2004 £000	2003 £000
Turnover:		
United Kingdom	5,314	5,153
Rest of Europe	1,934	2,537
United States of America	1,035	1,186
Other	373	484
	<u>8,656</u>	<u>9,360</u>

Notes to the financial statements

at 31 December 2004

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2004	2003
	£000	£000
Depreciation	8	19
Amortisation	34	111
Loss on disposal of fixed assets	18	–
Exceptional item – Restructuring costs	–	502
	<u> </u>	<u> </u>

Certain administrative costs, including auditors' remuneration of £2,000 (2003 – £1,000), are borne by other fellow group undertakings. No amounts were borne by other fellow group undertakings in respect of non-audit services (31 December 2003 – £nil).

4. Directors' remuneration and staff costs

	2004	2003
	£000	£000
Directors' remuneration:		
Emoluments	–	127
Company contributions to defined contribution pension schemes	–	7
	<u> </u>	<u> </u>
	–	134
	<u> </u>	<u> </u>

The Universal Music Publishing group is managed on a unified basis. Universal Music Publishing Limited pays the directors' emoluments on behalf of Rondor Music (London) Limited. The directors' emoluments for the Universal Music Publishing group are included within the total directors' emoluments disclosed in the accounts of Universal Music Publishing Limited, as it is not practical to split their emoluments between the services provided to Universal Music Publishing Limited and the other group companies.

Employee costs during the year (including directors):

	2004	2003
	£000	£000
Wages and salaries	–	400
Social security costs	–	46
Other pension costs	–	21
	<u> </u>	<u> </u>
	–	467
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2004

4. Directors' remuneration and staff costs (continued)

	£000	£000
Average number of employees during the year:		
Selling and promotion	—	4
	<u>—</u>	<u>4</u>

At 31 December 2004 no director was a member of the defined contribution pension scheme (2003 – nil).
During 2003 one director received a payment of £166,000 as compensation for loss of office.

5. Interest receivable and similar income

	2004 £000	2003 £000
Bank interest	—	1
Other interest	—	1
	<u>—</u>	<u>2</u>

6. Interest payable and similar charges

	2004 £000	2003 £000
Finance lease interest	2	3
	<u>2</u>	<u>3</u>

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2004 £000	2003 £000
<i>Current tax:</i>		
UK corporation tax on profits for the year	—	—
Group relief payable in respect of losses for the year	412	163
Adjustment in respect of previous years	(159)	—
Total current tax charge (note 7(b))	<u>253</u>	<u>163</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(2)	2
Total deferred tax charge (note 11)	<u>(2)</u>	<u>2</u>
Total tax charge on profit on ordinary activities	<u>251</u>	<u>165</u>

Notes to the financial statements

at 31 December 2004

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	1,364	535
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003- 30%)	409	161
<i>Effects of:</i>		
Expenses not deductible for tax purposes/non-taxable income	1	4
Capital allowances for year in excess of depreciation	2	(2)
Adjustments to tax in respect of prior years	(159)	–
Total current tax charge for the year (note 7a)	253	163

Adjustment in respect of prior years primarily relate to the write-off of prior year group relief balances, due to a decision by group management to not pay for those losses.

(c) Factors that may affect future tax charges

The company expects the effective rate of tax to continue to exceed the statutory rate of tax, by virtue of expenses not deductible for tax purposes and depreciation charges in excess of capital allowances.

8. Intangible fixed assets

	<i>Investment in music catalogue £000</i>
Cost:	
At 1 January 2004 and 31 December 2004	779
Amortisation:	
At 1 January 2004	745
Provided during the year	34
At 31 December 2003	779
Net book amount:	
At 31 December 2004	–
At 31 December 2003	34

Notes to the financial statements

at 31 December 2004

9. Tangible fixed assets

	<i>Fixtures, fittings, plant and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2004	65	43	108
Additions	—	—	—
Disposals	(52)	—	(52)
Transfers to group companies	(13)	(43)	(56)
At 31 December 2004	—	—	—
Depreciation:			
At 1 January 2004	32	19	51
Charge for the year	4	4	8
Disposals	(34)	—	(34)
Transfers to group companies	(2)	(23)	(25)
At 31 December 2004	—	—	—
Net book amount:			
At 31 December 2004	—	—	—
At 31 December 2003	33	24	57

The motor vehicles included above are held under finance leases.

10. Debtors: amounts falling due within one year

	<i>2004 £000</i>	<i>2003 £000</i>
Trade debtors	617	712
Amounts due from group undertakings	6,803	5,229
Deferred taxation (note 11)	12	5
Other debtors	—	3
	<u>7,432</u>	<u>5,949</u>

Net advances to artists are classified within trade debtors although advances may be recoverable after more than one year. Amounts due from group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements

at 31 December 2004

11. Deferred taxation

	2004 £000	2003 £000
Accelerated capital allowances	12	5
	<u>12</u>	<u>5</u>
		£000
As at 1 January 2004		5
Credit to the profit and loss account – current year		2
Adjustments to tax in respect of prior periods		5
As at 31 December 2004		<u>12</u>

12. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	3,650	4,083
Finance leases (note 15)	–	7
Amounts due to group undertakings	1,116	163
Corporation tax	288	281
Other creditors	89	148
Accruals and deferred income	181	386
	<u>5,324</u>	<u>5,068</u>

Amounts due to group undertaking are unsecured, interest free and repayable on demand.

13. Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Finance leases (note 15)	–	16
	<u>–</u>	<u>16</u>

Notes to the financial statements

at 31 December 2004

14. Provisions for liabilities and charges

	2004 £000	2003 £000
At 1 January 2004	177	304
Additions during the year	141	5
Released/utilised during the year	(102)	(132)
	<u>216</u>	<u>177</u>

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

15. Finance leases

Future minimum payments under finance leases are as follows:

	2004 £000	2003 £000
Within one year	-	7
In more than one year but not more than five years	-	16
	<u>-</u>	<u>23</u>

16. Share capital

	2004 £000	2003 £000
<i>Authorised, allotted, issued and fully paid</i>		
100 ordinary shares of £1 each (2003 – 100 ordinary shares)	<u>100</u>	<u>100</u>

Notes to the financial statements

at 31 December 2004

17. Reconciliation of movement in reserves and equity shareholders' funds

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity share- holders' funds £000</i>
At 1 January 2003	–	409	409
Profit for the year ended 31 December 2003	–	370	370
At 31 December 2003	–	779	779
Profit for the year ended 31 December 2004	–	1,113	1,113
At 31 December 2004	–	1,892	1,892

18. Pension costs

Vivendi Universal S.A. ("the group") operates the Vivendi Universal Pension Scheme ("the Scheme"), formerly known as the Seagram Distillers plc Pension Scheme in the United Kingdom designed to provide retirement benefits for the majority of its employees. This is the most significant scheme in the UK and the sponsoring company of this scheme is Centenary Holdings Limited. The Scheme is independent of the group and is trustee administered. The Scheme has been approved by the Inland Revenue for taxation purposes.

The Scheme is a mixed defined benefit and defined contribution Scheme and operates on a pre-funded basis. The defined benefit membership of the Scheme is split into two separate sections, the Seagram Wines and Spirits Group (SWSG) section and the Universal section.

The Scheme is a multi-employer Scheme, and hence the actuarial valuation relates to the Scheme as a whole, not solely to Rondor Music (London) Limited. As a result, the company is unable to separately identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, accounts for the Scheme as a defined contribution scheme in accordance with FRS 17. The company's contributions amounted to £nil for the year ended 31 December 2004, there were no accrued or prepaid pension costs (2003 – £nil).

Formal actuarial valuations are carried out on a triennial basis. A full actuarial valuation was carried out on 5 April 2004 by independent, professionally qualified actuaries Mercer Human Resources Consulting. The preliminary results of this valuation have been updated to 31 December 2004 for FRS 17 purposes. The full results of the valuation as at 5 April 2004 will be known later on in 2005.

The deficit as at 31 December 2004 was £47.7m. Further details of the Vivendi Universal Pension Scheme can be obtained from the financial statements of Universal Music Leisure Limited.

Notes to the financial statements

at 31 December 2004

19. Ultimate parent undertaking

The company's immediate parent undertaking is Rondor Music International Inc. 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 will be consolidated will be 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.