

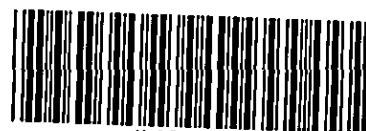
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Rondor Music (London) Limited

Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

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 4LZ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Results and dividends

The company's profit on ordinary activities after tax was £1,229,000 (2005 – £899,000) The directors do not recommend the payment of a dividend (2005 – £nil) The retained profit has been transferred to reserves.

Principal activities, review of business and future developments

The company's principal activity during the year was that of music publishing The result and position of the company as at and for the year ended 31 December 2006 are set out in the profit and loss account and balance sheet on pages 6 and 8 respectively The result and position of the company were in line with directors' expectations Turnover increased by 14% during the year primarily due to increased copyright exploitation Operating profit increased by 16% due to the above All risks and uncertainties are regularly monitored by the Board of Directors of the company and no significant change is expected to this activity during the forthcoming year

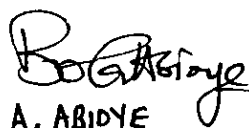
Directors and their interests

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

R J Morris
P E Connolly

At no time during the year ended 31 December 2006 did the directors have any interest which is required to be disclosed under section 324 of the Companies Act 1985

By order of the Board


A. ABIDYE

Secretary

14th March 2007

Statement of directors' responsibilities in respect of the financial statements

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

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
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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.

At the date of approving this report, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors confirm that they have taken all necessary steps, as directors, to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

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 2006 which comprise of the Profit and Loss Account, the Balance Sheet and the Statement of Total Recognised Gains and Losses and the related notes 1 to 14. These financial statements have been prepared under 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

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). In addition 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

Independent auditors' report

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

- the information given in the directors' report is consistent with the financial statements

EY LLP

Ernst & Young LLP
Registered auditor
London

15 March 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	10,506	9,230
Cost of sales		(7,992)	(7,039)
Gross profit		2,514	2,191
Administrative expenses		(761)	(681)
Operating profit		1,753	1,510
Interest receivable and similar income	5	2	–
Profit on ordinary activities before taxation	3	1,755	1,510
Tax on profit on ordinary activities	6	(526)	(611)
Retained profit for the financial year	13	1,229	899

Statement of total recognised gains and losses
for the year ended 31 December 2006

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,229,000 for the year ended 31 December 2006

Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible fixed assets	7	—	—
		<u>—</u>	<u>—</u>
		—	—
		<u>—</u>	<u>—</u>
Current assets			
Debtors	8	12,756	10,390
Creditors: amounts falling due within one year	10	(8,506)	(7,381)
		<u>—</u>	<u>—</u>
Net current assets		4,250	3,009
		<u>—</u>	<u>—</u>
Total assets less current liabilities		4,250	3,009
		<u>—</u>	<u>—</u>
Provisions for liabilities and charges	11	(230)	(218)
		<u>—</u>	<u>—</u>
Net assets		4,020	2,791
		<u>—</u>	<u>—</u>
Capital and reserves			
Called up share capital	12	—	—
Profit and loss account	13	4,020	2,791
		<u>—</u>	<u>—</u>
Equity shareholders' funds	13	4,020	2,791
		<u>—</u>	<u>—</u>

Signed on behalf of the Board of Directors



R J Morris

Director

14th March 2007

Notes to the financial statements

at 31 December 2006

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 2006, the company was a subsidiary undertaking where 90% or more of the voting rights were controlled within the Vivendi 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 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

Turnover

Turnover represents amounts in respect of royalty income, exclusive of value added tax. UK royalty income is credited to the profit and loss account in the period to which it relates, or if it can not be reliably estimated, 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

Advances

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

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

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

Notes to the financial statements

at 31 December 2006

2. Turnover

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

	2006	2005
	£000	£000
Turnover		
United Kingdom	6,283	6,037
Rest of Europe	2,390	1,736
United States of America	1,398	1,054
Other	435	403
	<u>10,506</u>	<u>9,230</u>

3. Profit on ordinary activities before taxation

Certain administrative costs, including auditors' remuneration of £2,000 (2005 – £2,000), are borne by other fellow group undertakings. No amounts were borne by other fellow group undertakings in respect of non-audit services (31 December 2005 – £nil)

4. Directors' remuneration and staff costs

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 with a proportion being recharged via a service charge. The directors' emoluments recharged for 2006 amount to £141,000 (2005 £151,000) with recharged emoluments of the highest paid director being £109,000 (2005 £122,000)

5. Interest receivable and similar income

	2006	2005
	£000	£000
Other interest	2	–
	<u>2</u>	<u>–</u>

Notes to the financial statements

at 31 December 2006

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2006 £000	2005 £000
<i>Current tax</i>		
UK corporation tax on profits for the year	–	–
Group relief payable in respect of losses for the year	524	450
Adjustment in respect of previous years	–	158
Total current tax charge (note 6(b))	524	608
<i>Deferred tax</i>		
Origination and reversal of timing differences	2	3
Total deferred tax charge (note 9)	2	3
Total tax charge on profit on ordinary activities	526	611

(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% (2005 – 30%) The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,755	1,510
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005- 30%)	527	453
<i>Effects of</i>		
Capital allowances for year in excess of depreciation	(2)	(3)
Adjustments to tax in respect of prior years	–	158
Rounding	(1)	–
Total current tax charge for the year (note 6a)	524	608

Notes to the financial statements

at 31 December 2006

7. Intangible fixed assets

	<i>Investment in music catalogue £000</i>
Cost	
At 1 January 2006 and 31 December 2006	779
Amortisation	
At 1 January 2006	779
Provided during the year	—
At 31 December 2006	779
Net book amount:	
At 31 December 2006	—
At 31 December 2005	—

8. Debtors: amounts falling due within one year

	<i>2006 £000</i>	<i>2005 £000</i>
Trade debtors	315	701
Amounts due from group undertakings	12,434	9,680
Deferred taxation (note 9)	7	9
	<u>12,756</u>	<u>10,390</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 2006

9. Deferred taxation

	<i>Provided</i>	<i>2006 Not provided</i>	<i>Total</i>	<i>Provided</i>	<i>2005 Not provided</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accelerated Capital Allowances	7	–	7	9	–	9
	<u>7</u>	<u>–</u>	<u>7</u>	<u>9</u>	<u>–</u>	<u>9</u>
	<u><u>7</u></u>	<u><u>–</u></u>	<u><u>7</u></u>	<u><u>9</u></u>	<u><u>–</u></u>	<u><u>9</u></u>
					<i>2006</i>	<i>2005</i>
					<i>£000</i>	<i>£000</i>
Asset at start of the period					9	12
Deferred tax (charge)/credit in profit & loss account (see note 6)					(2)	(3)
Asset at end of the period					<u>7</u>	<u>9</u>
					<u><u>7</u></u>	<u><u>9</u></u>

10. Creditors: amounts falling due within one year

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	4,367	4,355
Amounts due to group undertakings	3,690	2,405
Corporation tax	288	288
Other creditors	107	116
Accruals and deferred income	54	217
	<u>8,506</u>	<u>7,381</u>
	<u><u>8,506</u></u>	<u><u>7,381</u></u>

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

Notes to the financial statements

at 31 December 2006

11. Provisions for liabilities and charges

	2006 £000	2005 £000
At 1 January 2006	218	216
Additions during the year	12	2
	<u>230</u>	<u>218</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.

12. Share capital

	2006 £	2005 £
<i>Authorised, allotted, issued and fully paid</i>		
100 ordinary shares of £1 each (2005 – 100 ordinary shares)	<u>100</u>	<u>100</u>

13. 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 2005	–	1,892	1,892
Profit for the year ended 31 December 2005		899	899
	<u>–</u>	<u>2,791</u>	<u>2,791</u>
At 31 December 2005		1,229	1,229
Profit for the year ended 31 December 2006			
	<u>–</u>	<u>4,020</u>	<u>4,020</u>

Notes to the financial statements

at 31 December 2006

14. Ultimate parent undertaking

The company's immediate parent undertaking is Rondor Music International Inc and the ultimate parent undertaking and controlling party is Vivendi 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 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