891935

Rondor Music (London) Limited

Report and Financial Statements

31 December 2007

Registered No 891935

Directors

P E Connolly (resigned 2nd August 2007)
R J Morris (resigned 2nd August 2007)
T Smith (appointed 11th June 2007)

Secretary

A Abioye (resigned 11th June 2007)
P Wareham (appointed 11th June 2007, resigned 25th February 2008)

Auditors

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

Registered Office

20 Fulham Broadway
London SW6 1AH

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The company's profit for the financial year was £1,794,000 (2006 – £1,299,000) The directors have declared and paid a dividend of £6,156,000 during the year (2006 – £nil)

Principal activity and review of the business

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 2007 are set out in the profit and loss account and balance sheet on pages 7 and 9 respectively The result and position of the company were in line with directors' expectations Turnover decreased by 44% during the year primarily due to the continued decline in the recorded music market particularly the UK market during 2007 and the termination of sub publishing licenses Operating profit decreased by 31% as a result of the above

During the year, the company disposed of music catalogues and recognised an unrealised profit on the sale of £783,000 The profit is unrealised as the sale was made to another group company and therefore has been recorded in the Statement of Recognised Gains and Losses

Notwithstanding the risks and uncertainties outlined below, the directors do not anticipate any significant change in the activities and results of the company in the foreseeable future

Subsequent events

On the 25th of February 2008, the controlling entity of Rondor Music (London) Ltd completed the sale of the share capital, music publishing rights, and writer advances of Rondor Music (London) Ltd to a third party

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as competitive, legislative and financial instrument risk

- Competitive Risks

  Competitive risks are driven by a changing market environment and the competition from other major and independent publishing companies, 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 of the digital market can replace the decline in the physical market

- Legislative Risks
  There currently appears to be no significant legislative risks for the company

- Financial Instrument Risk
  There currently are no material financial instrument risks for the company

All risks and uncertainties are regularly monitored by the Board of Directors of the company

Directors and their interests

The directors who held office throughout the year and up to the date of this report were as listed on page 1

The directors did not have any other interests that require to be disclosed under Section 324 of the Companies Act 1985

Directors' report

Re-appointment of auditors

In accordance with s 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditors of the Company

By appointment of the Board

T Smith

Director

28/03/08.

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 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) The financial statements are required by law to 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, and
- 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 2007 which comprise of the Profit and Loss Account, the Balance Sheet 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 preparing 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)

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

In addition 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,

Independent auditors' report

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

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young L.L.P.

28 March 2008

Ernst & Young LLP
Registered auditor
London

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	5,839	10,506
Cost of sales		(4,635)	(7,992)
Gross profit		1,204	2,514
Administrative expenses		–	(761)
Operating profit	3	1,204	1,753
Interest receivable and similar income	5	590	2
Profit on ordinary activities before taxation		1,794	1,755
Tax on profit on ordinary activities	6	–	(526)
Profit on ordinary activities after taxation		1,794	1,229
Profit retained for the financial year	13	1,794	1,229

The results are derived entirely from continuing operations

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

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore, no separate statement of total gains and losses is presented

Statement of total recognised gains and losses

for the year ended 31 December 2007

	Notes	*2007* *£000*	*2006* *£000*
Profit for the financial year attributable to members of the company		1,794	1,229
Unrealised gain on intercompany transfer of assets	13	783	-
Total recognised gains and losses relating to the year		2,577	1,229

Balance sheet
at 31 December 2007

	Notes	2007 £000	2006 £000
Current assets			
Debtors	8	441	12,756
Creditors amounts falling due within one year	9	–	(8,506)
Net current assets		441	4,250
Total assets less current liabilities		441	4,250
Provisions for liabilities and charges	10	–	(230)
Net assets		441	4,020
Capital and reserves			
Called up share capital	11	–	–
Profit and loss account	13	441	4,020
Equity Shareholders funds	13	441	4,020

The financial statements on pages 7 to 16 were approved and authorised for issue by the board of directors on 28/4/2008 and were signed on its behalf by

T Smith
Director

Notes to the financial statements

at 31 December 2007

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company' financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom

Cash flow statement and related party transactions

At 31 December 2007, 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 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 S A group or investees of that group under the terms of FRS 8 "Related Party Disclosures"

Turnover

Turnover represents 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 Net advances to artists are classified within debtors, although elements may not be recoverable until after more than one year

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 The carrying values of intangible fixed asses are reviewed for impairment, and adjusted if appropriate, if events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

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 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 the financial statements No deferred tax is recognised on permanent differences

Deferred tax is measured at the average tax rates that are expected to apply when the timing differences are expected to reverse, based on tax rates and laws 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 the underlying timing differences can be deducted

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions 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

Interest bearing loans and borrowings

Interest bearing debt is increased by the finance cost in respect of the reporting period and reduced by any settlement made Interest is charged and earned on a fixed element of the debt at an arms length rate

Provisions for liabilities

A provision is recognised when the entity has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

2. Turnover

Turnover is derived from one continuing activity, music publishing originating entirely in the United Kingdom An analysis of turnover by geographical market is given below

	2007	*2006*
	£000	*£000*
United Kingdom	1,948	6,283
Rest of Europe	1,922	2,390
United States of America	1,472	1,398
Rest of World	497	435
	5,839	10,506

3. Operating Profit

Auditors' remuneration of £2,000 (2006 – £2,000) 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 year

Notes to the financial statements

at 31 December 2007

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 2007 amount to £nil (2006 £141,000) with recharged emoluments of the highest paid director being £nil (2006 £109,000)

There were no employees during either year

5. Interest receivable and similar income

	2007	*2006*
	£000	*£000*
Group interest receivable and similar income	590	–
Other	–	2
	590	2

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2007	*2006*
	£000	*£000*
Current tax		
UK corporation tax on profits of the year	–	–
Payments for group relief	–	524
Total current tax (note 7 (b))	–	524
Deferred tax		
Charge for the year	–	2
Total deferred tax (note 7 (c))	–	2
Tax on profit on ordinary activities	–	526

Notes to the financial statements

at 31 December 2007

6. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are explained below

	2007	*2006*
	£000	*£000*
Profit on ordinary activities before tax	1,794	1,755
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	538	527
Effects of		
Movement in timing differences	–	(2)
Impact of group relief surrendered for no compensation	(538)	–
Rounding	–	(1)
Total current tax (note 7 (a))	–	524

(c) Deferred tax

		2007			*2006*	
		Not			*Not*	
	Provided	*provided*	*Total*	*Provided*	*provided*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Accelerated capital allowances	–	–	–	7	–	7

	2007	*2006*
	£000	*£000*
Asset at start of the period	7	9
Deferred tax charge in profit & loss account (see (a) above)	–	(2)
Transfer to group company	(7)	-
Asset at end of the period	–	7

(d) Factors that may affect future tax charges

The UK corporate tax rate will decrease from 30% to 28% from 1 April 2008 This rate will affect the amount of future tax payments to be made by the Company The deferred tax balance has been adjusted in the current year to reflect this change Changes in the UK Capital allowance regime will also impact the capital allowances the Company can claim The full impact of these changes is still being assessed

Notes to the financial statements
at 31 December 2007

7. Intangible Fixed Assets

	Investment in music catalogue £000
Cost	
At 1 January 2007	779
Disposals	(520)
At 31 December 2007	259
Amortisation	
At 1 January 2007	779
Disposals	(520)
At 31 December 2007	259
Net book amount	
At 31 December 2007	–
At 31 December 2006	–

8. Debtors

	2007 £000	*2006 £000*
Trade debtors	441	315
Amounts due from group undertakings	–	12,434
Deferred tax	–	7
	441	12,756

9. Creditors: amounts falling due within one year

	2007 £000	*2006 £000*
Trade creditors	–	4,367
Amounts owed to group undertakings	–	3,690
Corporation tax	–	288
Other taxation and social security	–	107
Accruals and deferred income	–	54
	–	8,506

Notes to the financial statements

at 31 December 2007

10. Provisions for liabilities and charges

	£000
At 1 January 2007	230
Movements during the year	(230)
At 31 December 2007	–

Responsibility for the settlement of any future liabilities has now transferred to another group company, effective 31 December 2007

11. Share capital

	2007	2006
Authorised, allotted, called up and fully paid	£	£
100 (2006 – 100) ordinary shares of £1 each	100	100

12. Dividends

Equity dividends on ordinary shares have been declared and paid during the year, amounting to £6,156,000 (2006 £0)

13. Reconciliation of movements in reserves and equity shareholders' funds

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 January 2006	-	2,791	2,791
Profit for the year ended 31 December 2006	-	1,229	1,229
At 1 January 2007	-	4,020	4,020
Profit for the year ended 31 December 2007	-	1,794	1794
Unrealised gain on intercompany transfer of assets	-	783	783
Dividends	-	(6,156)	(6,156)
At 31 December 2007	-	441	441

During the year the company disposed of the trading assets to another group company for amounts of £783,000 generating an unrealised profit on disposal of £783,000

Notes to the financial statements

at 31 December 2007

14. Ultimate controlling party

The company's immediate parent undertaking is Rondor Music International Inc and the company's ultimate parent undertaking and controlling party is Vivendi S A a company incorporated in France

The smallest and largest group in which the results of the company are consolidated is 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