

2050406

Universal Music Publishing International Limited

Report and Financial Statements

31 December 2006



Universal Music Publishing International Limited

Registered No. 2050403

Directors

S E Levin
T Strikkers
M Donegan

Secretary

A Abioye

Auditors

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

Registered Office

347-353 Chiswick High Road,
London W4 4HS

The registered office was changed during the year from the previous address of 136-144 New Kings Road,
London SW6 4FX.

Directors' report

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

Results and dividends

The company's profit after taxation for the year was £377,000 (2005 - £818,000). The directors do not recommend the payment of a dividend (2005 - £nil). The profit for the year has been transferred to reserves.

Principal activities and review of the business

The company's principal activities during the year included the provision of management services to Universal music publishing companies within the United Kingdom and overseas. In addition the company is engaged in the exploitation of its own music publishing rights. This activity continued during 2006 and the directors do not anticipate any change in these activities in the forthcoming year.

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 7 and 8 respectively. The result and position of the company were in line with directors' expectations.

Turnover decreased by 22% during the year. However, 2005 numbers included a one-off adjustment relating to the recognition of royalty income. Excluding this one off adjustment revenues have only decreased by 6% primarily due to a reduction in overhead costs that have driven down the overall management service income.

Operating profit decreased by 48% during the year. Excluding the one-off adjustment in 2005, operating profit has actually increased by 7%. This is due to improvement in overhead costs primarily as the result of large movements in exchange gains/losses.

Principal risks and uncertainties

The company is faced with similar risks and uncertainties as other companies operating in the published music business, broadly competition from other major and independent record companies that publish recorded music.

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

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.

Directors and their interests

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

S E Levin
T Strikkers
M Donegan

At no time during the year ended 31 December 2006 did any director have any interest which is required to be notified to the company under Section 324 of the Companies Act 1985.

Directors' report

Auditors

Ernst & Young LLP have expressed their willingness to continue as auditors under section 386 of the Companies Act 1985

By order of the Board



T Strickers

Director

23 March 2007

Statement of directors' responsibilities in respect of the financial statements

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 2006 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.

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 Universal Music Publishing International 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 related notes 1 to 17. 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.

Independent auditors' report

to the members of Universal Music Publishing International Limited (continued)

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

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

26 March 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	8,516	10,908
Cost of sales		(4,068)	(5,661)
Gross profit		4,448	5,247
Administrative expenses		(3,739)	(3,883)
Operating profit		709	1,364
Interest payable and similar charges	6	(168)	(199)
Profit on ordinary activities before taxation	3	541	1,165
Tax on profit on ordinary activities	7	(164)	(347)
Profit on ordinary activities after taxation	15	377	818

The results are derived entirely from continuing operations.

The company has no recognised gains and losses 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 financial year and their historical cost equivalents.

Balance sheet

at 31 December 2006

		2006	2005
	Notes	£000	£000
Fixed assets			
Intangible fixed assets	8	—	—
Tangible fixed assets	9	929	586
		<u>929</u>	<u>586</u>
Current assets			
Debtors	10	1,738	1,642
		<u>1,738</u>	<u>1,642</u>
Creditors: amounts falling due within one year	11	(3,449)	(3,392)
		<u>(1,711)</u>	<u>(1,750)</u>
Net current liabilities		<u>(782)</u>	<u>(1,164)</u>
Creditors: amounts falling due after more than one year	12	(12)	(7)
		<u>(794)</u>	<u>(1,171)</u>
Net liabilities		<u>(794)</u>	<u>(1,171)</u>
Capital and reserves			
Called-up share capital	13	—	—
Profit and loss account	14	(794)	(1,171)
		<u>(794)</u>	<u>(1,171)</u>
Equity shareholders' deficit	15	<u>(794)</u>	<u>(1,171)</u>

On behalf of the Board of directors

I Strikkers

Director

23 March 2007.

Notes to the financial statements

at 31 December 2006

1. Accounting policies

Basis of preparation

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

Continued support from intermediate parent undertaking

The financial statements have been prepared on a going concern basis as the company has received confirmation from Universal International Music B.V., the company's intermediate parent undertaking, of its present intention to provide such support as may be necessary to ensure the continuing operations of the company for a period of not less than twelve months from the date of approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the deficit on net liabilities at 31 December 2006.

Statement of cash flows and related party disclosures

The company is a wholly owned subsidiary of Vivendi S.A. which controls 90% or more of the voting rights and is included in the consolidated financial statements of the group, which are publicly available. Consequently, the company has taken advantage of the exemption in Financial Reporting Standard ("FRS") 1 from preparing a statement of cash flow and the exemption of FRS 8 from disclosing transactions with entities that are part of the Vivendi S.A. group or investees of that group.

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 7 years, on a straight line basis.

Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value over their estimated useful lives as follows:

Leasehold improvements	10%
Fixtures and fittings	20%
Plant and equipment	20% – 33%

Turnover

Turnover represents the amount received in respect of royalty income and management charges receivable from fellow subsidiary undertakings worldwide, exclusive of value added tax. UK and overseas 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.

Advances

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. Net advances to artists are classified as falling due within one year, although elements may not be recovered until after more than one year.

Foreign currencies

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 rates of exchange ruling at that date. All differences are recorded in the profit and loss account.

Notes to the financial statements

at 31 December 2006

1. Accounting policies (continued)

Deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise, calculated at a rate at which it is estimated that taxation will be payable.

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 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 in 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 the underlying timing differences can be deducted.

Pension and other post retirement benefits

The company participates in a pension scheme in the UK, ultimately operated by Vivendi S.A.; the Vivendi Universal Pension Scheme ("VUPS" or "the Scheme"). The Scheme is a mixed defined benefit and defined contribution Scheme and operates on a pre-funded basis.

Contributions in respect of employees of the Company to the defined contribution section are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Each defined benefit member of the Scheme is subject to one of two different benefit structures. Members with a Universal benefit structure consist of current and former Universal Music employees and former Vivendi Universal Entertainment ("VUE") employees. Members with a Seagram Wines and Spirits Group ("SWSG") benefit structure consist of former SWSG employees. The underlying assets and liabilities of the scheme allocated to the Universal Music members are accounted for within Universal Music Operations Limited and the underlying assets and liabilities of the scheme allocated to the SWSG and VUE members are accounted for within Centenary Holdings Limited. Both companies are fellow group undertakings.

FRS 17 requires that the pension scheme's underlying assets and liabilities can be allocated to the entities sponsoring the scheme. This allocation could not be done on a consistent and reasonable basis for Universal Music Publishing International Limited alone. As a result, the defined benefit membership of the scheme has been accounted for as a defined contribution scheme in these financial statements.

Full disclosures relating to the underlying assets and liabilities allocated to the Universal Music members of the defined benefit pension scheme can be found in the financial statements for the year ended 31 December 2006 of Universal Music Operations Limited.

Universal Music Operations Limited charges a monthly service fee to other fellow subsidiaries included in which is an element in respect of defined benefit operating and finance costs.

Notes to the financial statements

at 31 December 2006

1. Accounting policies (continued)

Leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future lease obligations are recorded as liabilities.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayment outstanding.

Notes to the financial statements

at 31 December 2006

2. Turnover

Turnover is derived from two activities, the exploitation of music publishing rights and the provision of management services to fellow group undertakings. Turnover from the latter activity for the year ended 31 December 2006 was £3,694,000 (2005 – £3,836,000). The geographical area to which turnover relates is as follows:

	2006 £000	2005 £000
United Kingdom	1,141	2,977
Rest of Europe	2,145	2,765
United States of America	3,612	3,314
Rest of the World	1,618	1,852
	<u>8,516</u>	<u>10,908</u>

3. Profit on ordinary activities before taxation

	2006 £000	2005 £000
Profit on ordinary activities before taxation		
Depreciation of tangible fixed assets		
– owned	433	583
– held under finance leases	4	4
Profit on disposal of fixed asset	2	-
Auditors' remuneration		
– audit services	12	12
Foreign exchange (gains)/losses	(57)	318
	<u></u>	<u></u>

The auditors received no remuneration in respect of non-audit services in either year.

Notes to the financial statements

at 31 December 2006

4. Directors' emoluments

	2006 £000	2005 £000
Directors' emoluments	342	486
Pension contributions	34	36
	<u>376</u>	<u>522</u>

Retirement benefits are accruing to 3 directors (2005 – 3).

The emoluments of the highest paid director in the year ended 31 December 2006 were £211,887 (2005 – £198,924).

The highest paid director was a member of a defined benefit pension scheme, under which the company contributed £16,074 (2005 – £17,024 defined contribution scheme).

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2006 was £55,478 (2005 – £44,884) and the accrued lump sum £297,526 (2005 – £121,469).

One director receives no emoluments for their services to the company.

5. Staff costs

The average number of persons, including directors, employed by the company during the year was as follows:

	2006 £000	2005 £000
Commercial and administration	<u>25</u>	<u>25</u>

Their aggregate remuneration comprised:

	2006 £000	2005 £000
Wages and salaries	1,367	1,339
Social security costs	153	146
Other pension costs	447	76
Staff costs	<u>1,967</u>	<u>1,561</u>

Notes to the financial statements

at 31 December 2006

6. Interest payable and similar charges

	2006 £000	2005 £000
Interest payable under finance leases	1	1
Interest payable to group undertakings	167	198
	<u>168</u>	<u>199</u>

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2006 £000	2005 £000
<i>Current tax</i>		
Group relief payable for losses surrendered from other group Companies for the year	23	286
Foreign taxes	99	112
Adjustment in respect of previous years	-	3
Total current tax	<u>122</u>	<u>401</u>
<i>Deferred tax (note 10)</i>		
Deferred tax charge/(credit) for the year	42	(44)
Adjustments in respect of previous years	-	(10)
Total deferred tax	<u>42</u>	<u>(54)</u>
Total tax on profit on ordinary activities	<u>164</u>	<u>347</u>

Notes to the financial statements

at 31 December 2006

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax (credit)/charge for the year

	2006 £000	2005 £000
Profit on ordinary activities before tax	541	1,165
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2005 – 30%)	162	350
<i>Effects of:</i>		
Expenses not deductible for the tax purposes	2	4
Adjustments to tax charge/credit in respect of prior periods	-	3
Foreign taxes suffered in the year	99	112
Double tax relief	(99)	(112)
Movements in other timing differences	(42)	44
Current tax charge on profit on ordinary activities	122	401

(c) Factors affecting future tax charge: – none (2005 – none).

8. Intangible fixed assets

	£000
Cost:	
At 1 January 2006	2,709
Additions	-
At 31 December 2006	2,709
Amortisation:	
At 1 January 2006	2,709
Charge for the year	-
At 31 December 2006	2,709
Net book value:	
At 31 December 2006	-
At 31 December 2006	-

Notes to the financial statements

at 31 December 2006

9. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2006	153	2,592	116	2,861
Additions	-	785	-	785
Disposals	-	(15)	-	(15)
At 31 December 2006	153	3,362	116	3,631
Depreciation:				
At 1 January 2006	148	2,020	107	2,275
Charge for the year	1	434	2	437
Disposal	-	(10)	-	(10)
At 31 December 2006	149	2,444	109	2,702
Net book amount:				
At 31 December 2006	4	918	7	929
At 31 December 2005	5	572	9	586

Assets held under finance leases and capitalised in plant and equipment:

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Cost	16	15
Aggregate depreciation	(1)	(6)
Net book amount	15	9

10. Debtors

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	363	311
Deferred tax	192	234
Amounts owed by UK group undertakings	693	716
Amounts owed by overseas group undertakings	444	270
Other debtors	7	6
Prepayments and accrued income	39	105
	1,738	1,642

Notes to the financial statements

at 31 December 2006

10. Debtors (continued)

Amounts owed by UK and overseas group undertakings through the normal course of business are unsecured and repayable on demand.

The deferred tax balance is analysed below:

	2006 £000	2005 £000
Accelerated capital allowances	192	219
Other short term differences	-	15
Total	192	234
Asset at start of year	234	180
Deferred tax credit /(charge) for year	(42)	44
Adjustments in respect of previous periods	-	10
Asset at end of period	192	234

There are no unprovided deferred tax balances in either year.

11. Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	790	1,419
Amounts due to UK group undertakings	2,054	1,519
Obligations under finance leases	3	3
Corporation tax	3	3
Accruals and deferred income	599	448
	3,449	3,392

Included within amounts due to group undertakings is an amount of £1,930,000 (2005 – £1,395,000) in respect of intercompany balances with fellow group undertakings. Interest accrues on the balances at the LIBOR rate plus 1.3% (2005 – 0.6%). All other amounts due to group undertakings through the normal course of business are unsecured and repayable on demand.

Notes to the financial statements

at 31 December 2006

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

	2006 £000	2005 £000
Obligations under finance leases	12	7
Future minimum payments under finance leases are as follows:	2006 £000	2005 £000
Within one year	4	4
In one to two years	4	7
In two to five years	9	-
Total gross payments	17	11
Less: finance charges included within the above	(2)	(1)
	15	10

13. Share capital

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

14. Statement of movement on reserves

	<i>Profit and loss account £000</i>
At 1 January 2006	(1,171)
Profit for the year ended 31 December 2006	377
At 31 December 2006	(794)

Notes to the financial statements

at 31 December 2006

15. Reconciliation of shareholders' deficit and movement on reserves

	2006 £000	2005 £000
Profit for the financial year	377	818
Opening equity shareholders' deficit	(1,171)	(1,989)
Closing equity shareholders' deficit	<u>(794)</u>	<u>(1,171)</u>

16. Pension costs

Vivendi S.A. 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 HM Revenue & Customs for taxation purposes.

The Scheme is a mixed defined benefit and defined contribution scheme. Each defined benefit member of the Scheme is subject to one of two different benefit structures. Members with a Universal benefit structure consist of current and former Universal Music employees and former Vivendi Universal Entertainment ("VUE") employees. Members with a Seagram Wines and Spirits Group ("SWSG") benefit structure consist of former SWSG employees.

Universal Music Operations Limited accounts for the underlying assets and liabilities of the scheme allocated to the Universal Music members and Centenary Holdings Limited accounts for the underlying assets and liabilities of the scheme allocated to the SWSG and VUE members.

FRS 17 requires that the pension scheme's underlying assets and liabilities can be allocated to the entities sponsoring the scheme. This allocation could not be done on a consistent and reasonable basis for Universal Music Publishing International Limited alone. As a result, the defined benefit membership of the scheme has been accounted for as a defined contribution scheme in these financial statements.

Full disclosures relating to the underlying assets and liabilities allocated to the Universal Music members of the defined benefit pension scheme can be found in the financial statements for the year ended 31 December 2006 of Universal Music Operations Limited.

Formal actuarial valuations are carried out on an at least triennial basis and updated at each reporting year end. A full formal actuarial valuation is being carried out as at 5 April 2006 by Mercer Human Resource Consulting as independent, professionally qualified actuaries to the Scheme. The preliminary results of this valuation are currently being discussed by the Trustees. The final outcome, when available, will indicate the level of contributions to be paid by Universal Music Operations Limited from 2007 onwards. The agreed level of contributions to be made by Universal Music Operations Limited following the previous valuation as at 5 April 2004 was £2,885k per annum, commencing 1 January 2006.

The preliminary results of the 5 April 2006 valuation have been updated to 31 December 2006 for FRS 17 purposes. This valuation showed an increase in the deficit allocated to the Universal Music members of the defined benefit section from £23.8 million as at 31 December 2005 to £27.8 million as at 31 December 2006. The updated preliminary valuation showed the market value of the assets allocated to the Universal Music members of the defined benefit section was £57.7 million which is sufficient to cover 67% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The company's contributions amounted to £447,000 for the year ended 31 December 2006 (2005: £76,000).

Notes to the financial statements

at 31 December 2006

17. Parent undertaking and controlling party

The immediate parent undertaking is Universal Music Leisure Limited registered in England and Wales. The 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 will be consolidated will be that headed by Vivendi S.A. incorporated in France. Copies of its annual report in English may be obtained from Vivendi S.A. 42 Avenue de Friedland, 75380 Paris, Cedex 08, France.