

COMPANY REGISTRATION NUMBER 3384487

**UNIVERSAL MUSIC LEISURE LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2011

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UNIVERSAL MUSIC LEISURE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

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UNIVERSAL MUSIC LEISURE LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

RM Constant
BJ Muir
A Brown

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

364-366 Kensington High Street
London
W14 8NS

AUDITORS

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

UNIVERSAL MUSIC LEISURE LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was to act as a holding and finance company and to provide management and other services to other group companies

The result and position of the company as at and for the year ended 31 December 2011 are set out in the profit and loss account and balance sheet on pages 6 and 7 respectively. The result and position of the company were in line with directors' expectations

FUTURE DEVELOPMENTS

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

RESULTS AND DIVIDENDS

The company's profit for the financial year was £94,566,000 (2010 - £22,587,000). The retained profit for the year has been transferred to reserves

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to interest rate risk. Part of the company's income and expense is derived from interest receivable and payable on loans with group undertakings. The interest is an agreed percentage above London Inter-bank Offered Rate ("LIBOR")

The company is exposed to a risk in relation to the carrying value of its subsidiary undertakings and undertakes a review of these on an annual basis if there are indicators of impairment

DIRECTORS

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

RM Constant
BJ Muir
A Brown

A Brown was appointed as a director on 13 September 2011

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

A qualifying third party indemnity provision remains in force as at the date of approving the directors' report, subject to the provisions of s236 CA 2006. Vivendi SA, the ultimate parent undertaking, maintains a Directors & Officers Liability Programme which indemnifies directors' personal liabilities resulting from alleged wrongful acts committed in the line of their employment

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

UNIVERSAL MUSIC LEISURE LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2011

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

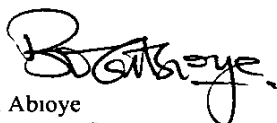
In so far as each of the directors at the date of approving this report are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

The company made no political or charitable donations in either year.

By order of the board



A Abioye
Company Secretary

30 MAR 2012

Company Registration Number 3384487

UNIVERSAL MUSIC LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC LEISURE LIMITED

YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Universal Music Leisure Limited for the year ended 31 December 2011 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended, and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

UNIVERSAL MUSIC LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL MUSIC LEISURE LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Philip Young (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
London

30/3/12

Company Registration Number 3384487

UNIVERSAL MUSIC LEISURE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
TURNOVER	2	20,355	14,978
Cost of sales		(20,355)	(14,979)
GROSS LOSS		—	(1)
Administrative expenses		(16)	1,149
OPERATING (LOSS)/PROFIT	3	(16)	1,148
Income from fixed asset investments		70,689	—
Interest receivable and similar income	5	32,405	38,921
Interest payable and similar charges	6	(374)	(7,815)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		102,704	32,254
Tax on profit on ordinary activities	7	(8,138)	(9,667)
PROFIT FOR THE FINANCIAL YEAR		94,566	22,587

All of the activities of the company are classed as continuing operations

The company has no recognised gains or losses other than the results for the year as set out above

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 equivalents

The notes on pages 8 to 15 form part of these financial statements

UNIVERSAL MUSIC LEISURE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Investments	8	123,228	123,228
CURRENT ASSETS			
Debtors	9	742,831	739,900
CREDITORS Amounts falling due within one year	11	(62,698)	(154,333)
NET CURRENT ASSETS		680,133	585,567
TOTAL ASSETS LESS CURRENT LIABILITIES		803,361	708,795
CAPITAL AND RESERVES			
Called-up equity share capital	12	886,158	886,158
Profit and loss account	13	(82,797)	(177,363)
EQUITY SHAREHOLDERS' FUNDS	13	803,361	708,795

These financial statements were approved by the board of directors and authorised for issue on **30 MAR 2012**
and are signed on their behalf by


A Brown

The notes on pages 8 to 15 form part of these financial statements.

UNIVERSAL MUSIC LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been prepared on a going concern basis

As the ultimate parent undertaking prepares publicly available consolidated accounts and is incorporated within the European Union the company has taken advantage of the exemption under section 400 of the Companies Act 2006 from preparing consolidated accounts. As such, these financial statements give information about the company as an individual undertaking and not about its group

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Vivendi S A who control 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 FRS 1 from preparing a cash flow statement and the exemption of FRS 8 from disclosing transactions with entities that are part of the Vivendi S A group of investees of that group

Revenue recognition

Turnover represents the invoiced value of services and royalty income, excluding VAT

Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for impairment

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes

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 have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in future

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are recorded in the profit and loss account

UNIVERSAL MUSIC LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES *(continued)*

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. 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.

2. TURNOVER

Turnover is derived from one continuing activity, the provision of services to other group undertakings. All turnover is exclusively derived in the United Kingdom.

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting

	2011 £'000	2010 £'000
Net profit on foreign currency translation	—	(361)

Auditors remuneration of £9,000 (2010 - £9,000) and certain other administrative costs were borne by the United Kingdom fellow group undertakings in both years. No costs were incurred in respect of non-audit services in either year.

4. DIRECTORS EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no remuneration in respect of their services to the company (2010 - nil). The company had no employees during the year ended 31 December 2011 (2010 - nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £'000	2010 £'000
Interest receivable from group undertakings	32,405	38,921

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Interest payable to group undertakings	374	7,815

UNIVERSAL MUSIC LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

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

	2011 £'000	2010 £'000
Current tax		
UK Corporation tax on profit/loss for the year	-	-
Adjustments in respect of previous years	(606)	(1,519)
Group relief payable for losses surrendered from other group undertakings	8,511	8,646
Total current tax	7,905	7,127
Deferred tax		
Origination and reversal of timing differences (note 10)		
Losses	233	2,540
Tax on profit on ordinary activities	8,138	9,667

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26.50% (2010 - 28%)

The UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 22%, with the first 2% reduction taking effect from 1 April 2011. A further 1% reduction was enacted on 5 July 2011, reducing the rate to 25% from 1 April 2012. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. Therefore, at 31 December 2011, deferred tax assets and liabilities have been calculated based on the rates that have been substantively enacted by the balance sheet date.

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	102,704	32,254
Profit on ordinary activities at the standard rate of UK Corporation tax of 26.50% (2010 - 28%)	27,217	9,031
Non-taxable items	(18,706)	452
Adjustments in respect of previous periods	(606)	(1,519)
Movement in timing differences	-	(962)
Impact of statutory effective rate change	-	111
Sundry tax adjusting items	-	14
Current tax charge for the financial year	7,905	7,127

(c) Factors that may affect future tax charges

The company has total unutilised tax losses carried forward estimated at £15,069,706 (2010 - £14,818,152) which may reduce future tax charges. The future reductions to 22% have not been enacted at the balance sheet date so the effect of these has not been reflected in these financial statements. However, it is expected that the effect of these changes would be to reduce the company's deferred tax asset by £489,766.

UNIVERSAL MUSIC LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

8. INVESTMENTS

	Total £'000
COST	
At 1 January 2011 and 31 December 2011	<u>195,113</u>
PROVISION FOR IMPAIRMENT	
At 1 January 2011 and 31 December 2011	<u>71,885</u>
NET BOOK VALUE	
At 31 December 2011 and 31 December 2010	<u>123,228</u>

The directors have considered the carrying value of the investments and are of the opinion that the aggregate value of the company's investments in subsidiary undertakings, including amounts owed by subsidiary undertakings, is not less than the amount at which they are stated in the accounts at 31 December 2011

The group has the following principal investments in subsidiary undertakings

Name	Ordinary share holdings	Nature of business
A&M Records Limited* (note a)	100%	Marketing and distribution of recorded music
Decca Music Group Limited* (note b)	100%	Marketing and distribution of recorded music
GoDiscs Limited*	100%	Marketing and distribution of recorded music
Universal Music Group International Limited	100%	Holding company
Mercury Records Limited*	100%	Marketing and distribution of recorded music
Polydor Limited*	100%	Marketing and distribution of recorded music
Universal - Island Records Limited	100%	Marketing and distribution of recorded music
Universal/MCA Music Limited	100%	Music publishing
Universal/Dick James Music Limited*	100%	Music publishing
Universal/Island Music Limited	100%	Music publishing
Universal Music Operations Limited*	100%	Marketing and distribution of recorded music
Universal Music Publishing Limited*	100%	Music publishing

The investment in the above companies is in 100% of the ordinary share capital except where indicated in notes (a) and (b) below. Those marked with an asterisk are directly owned, all other companies are held through subsidiary undertakings.

Notes

(a) Shareholder consists of 100% of the 100,000 ordinary shares of £1 each and 100% of the 33,000 preference shares of £1 each

(b) Shareholder consists of 100% of the 1,000 ordinary shares of £1 each and 100% of the 100 5% non-cumulative preference shares of £1 each

UNIVERSAL MUSIC LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

9. DEBTORS

	2011 £'000	2010 £'000
Amounts owed by group undertakings	739,026	735,862
Deferred taxation (note 10)	3,805	4,038
	<u>742,831</u>	<u>739,900</u>

Included within amounts owed by group undertakings is £525,000,000 in respect of an intercompany loan with Universal Music Operations Limited. Interest accrues on the loan at 6%.

All other amounts owed by group undertakings are due from UK group undertakings, are unsecured and repayable on demand. Interest accrues on these amounts at 1 month LIBOR plus 0.1%.

10. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2011 £'000	2010 £'000
Included in debtors (note 9)	<u>3,805</u>	<u>4,038</u>

The movement in the deferred taxation account during the year was

	2011 £'000	2010 £'000
Balance brought forward	4,038	6,578
Profit and loss account movement arising during the year	(233)	(2,540)
Balance carried forward	<u>3,805</u>	<u>4,038</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2011 £'000	2010 £'000
Tax losses available	<u>3,805</u>	<u>4,038</u>

UNIVERSAL MUSIC LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

11 CREDITORS: Amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to group undertakings	57,299	148,934
Other creditors	5,399	5,399
	<u>62,698</u>	<u>154,333</u>

Loan due to UMI Finance SAS, for a principal amount of £100,964,000 (2010 - £100,964,000) The loan is unsecured and repayable on demand Interest accrues on the loan at the 1 year LIBOR rate + 3% and is payable annually All amounts owed to group undertakings are due to UK group undertakings, are unsecured and repayable on demand Interest accrues on these amounts at 1 month LIBOR plus 0.1%

12 SHARE CAPITAL

Authorised share capital:

	2011 £'000	2010 £'000
900,000,000 Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Allotted, called up and fully paid:

	2011 No	£'000	2010 No	£'000
Ordinary shares of £1 each	<u>886,158,002</u>	<u>886,158</u>	<u>886,158,002</u>	<u>886,158</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £'000	Profit and loss account £'000	Total share-holders' funds £'000
Balance brought forward at 1 January 2010	886,158	(199,950)	686,208
Profit for the year	—	22,587	22,587
Balance brought forward at 1 January 2011	886,158	(177,363)	708,795
Profit for the year	—	94,566	94,566
Balance carried forward at 31 December 2011	<u>886,158</u>	<u>(82,797)</u>	<u>803,361</u>

UNIVERSAL MUSIC LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

14. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Universal Music (UK) Holdings Limited. The ultimate parent undertaking and controlling party is Vivendi SA, 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 SA, 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