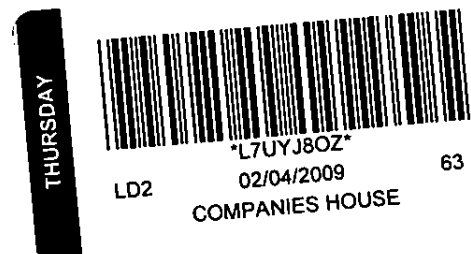


Universal Music Operations Limited
(Registered Number: 950138)

Directors' Report and Financial Statements
for the year ended 31 December 2008



Universal Music Operations Limited

Directors' report for the year ended 31 December 2008

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activity

The company's principal activity during the year was to market and distribute recorded music and videos. The company has two agent companies acting on its behalf.

Business review

The result and position of the company as at and for the year ended 31 December 2008 are set out in the profit and loss account and balance sheet on pages 7 and 8 respectively. The result and position of the agents are shown in their own financial statements as well as in the financial statements of this company. The result and position of the company were in line with directors' expectations.

Turnover increased by 10% compared to the prior year primarily due to an improvement in sales performance in the United Kingdom and overseas.

Operating profit increased by £10,425,000 compared to the prior year primarily due to same reason as above.

Results and dividends

The company's profit on ordinary activities after taxation and retained profit for the year was £36,741,000 (2007: £17,317,000 loss). The retained profit for the year has been transferred to reserves.

On 20 March 2008 the holder of all of the issued fixed-rate, non-redeemable preference shares irrevocably waived any and all rights in respect of any accrued preferential dividends. The directors do not recommend the payment of a dividend on the ordinary shares in issue (2007: nil).

Principal risks and uncertainties

The company is faced with similar risks and uncertainties as other companies operating in the recorded music business, broadly;

- competition from other major and independent record companies that market and distribute recorded music and video;
- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to survival of independent music retailers;
- the threat of a devalued product due to piracy and the illegal use of music;
- uncertainty as to whether the growth of the digital market can replace the decline in the physical market; and
- interest rate fluctuations.

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

Universal Music Operations Limited

Directors' report for the year ended 31 December 2008

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 of the company

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

DT Bryant
RM Constant
TC Fisher
LC Grainge (resigned 26 June 2008)
MN Henny (United States citizen)
DS Joseph (appointed 26 June 2008)
MJ Swatton
Universal Music UK Ltd

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.

Disabled employees

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

The policy of providing employees with information about the group has been continued during the year. Employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Charitable and political donations

During the year the company made charitable donations of £1,670 (2007: £6,980). The company made no political donations in either year.

Universal Music Operations Limited

Directors' report for the year ended 31 December 2008

Creditor payment policy and practice

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.

Elective resolutions

On 29 November 1990, an elective resolution under Section 379A of the Companies Act 1985 was passed in respect of dispensing with the following provisions:

- the laying of the annual report and financial statements before the company in general meeting;
- the holding of an annual general meeting; and
- the requirement to reappoint annually the registered auditors of the company in general meeting.

The provisions of this elective resolution will apply for subsequent years until the election is revoked.

Re-appointment of auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members.

Universal Music Operations Limited

Directors' report for the year ended 31 December 2008

Statement of directors' responsibilities

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

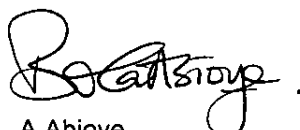
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on a going concern 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 2008 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.

By Order of the Board



A Abioye
Company Secretary
31 March 2009

364-366 Kensington High Street
London
W14 8NS

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

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 25. 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 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 2008 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
Registered auditor
London

31 March 2009

Universal Music Operations Limited

Profit and loss account for the year ended 31 December 2008

	<i>Note</i>	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Turnover	2	338,398	308,499
Cost of sales		(232,001)	(227,830)
Gross profit		106,397	80,669
Distribution costs		(7,238)	(13,273)
Administrative expenses		(80,295)	(58,957)
Operating profit	3	18,864	8,439
Income from investments		-	1,528
Other income		5,400	2,876
Amounts written off investments		-	(1,528)
Exceptional costs	4	-	(16,158)
Interest receivable and similar income	7	112,089	48,341
Interest payable and similar charges	8	(113,275)	(55,945)
Other finance costs	9	(1,500)	(1,500)
Profit/(loss) on ordinary activities before taxation		21,578	(13,947)
Tax on profit/(loss) on ordinary activities	10	15,163	(3,370)
Profit/(loss) on ordinary activities after taxation and retained profit/(loss) for the financial year	19	36,741	(17,317)

The company's results were 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 equivalents.

Statement of total recognised gains and losses

	<i>Note</i>	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit/(loss) on ordinary activities after taxation		36,741	(17,317)
Actuarial gain recognised on defined benefit pension schemes	22	300	3,300
Movement on deferred tax relating to the actuarial gain on defined benefit pension schemes		(84)	(1,116)
Total gains and (losses) recognised for the last financial statements		36,957	(15,133)

Universal Music Operations Limited

Balance sheet as at 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Tangible assets	11	19,120	21,104
Investments	12	10,884	2,682
		30,004	23,786
Current assets			
Stock	13	1,580	1,274
Debtors	14	1,866,078	1,619,892
		1,867,658	1,621,166
Creditors: amounts falling due within one year	15	(1,498,110)	(1,283,209)
Net current assets		369,548	337,957
Total assets less current liabilities		399,552	361,743
Creditors: amounts falling due after one year	16	(234)	(303)
Provisions for liabilities and charges	17	(18,930)	(16,124)
Non redeemable preference shares	18	(136,000)	(136,000)
Net assets excluding pension liability		244,388	209,316
Defined benefit pension liability	22	(13,392)	(15,277)
Net assets		230,996	194,039
Capital and reserves			
Called-up share capital	18	15	15
Profit and loss account	19	230,981	194,024
Equity shareholders' funds	19	230,996	194,039

The financial statements on pages 7 to 29 were approved and authorised for issue by the board of directors on 31 March 2009.

DT Bryant
Director

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies

a) Basis of preparation

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

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 228 of the Companies Act 1985 from preparing consolidated accounts. As such, these financial statements give information about the company as an individual undertaking and not about its group.

The directors decided to reclassify other income for service charges to other group entities from turnover to other income in the current year as they believe this presentation provides the reader of the accounts more useful information. Comparatives for the prior year have been reclassified accordingly.

The company has adopted the disclosures required by the amendment FRS 17, which is effective for accounting periods beginning after 6 April 2007.

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 Financial Reporting Standard ("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 or investees of that group.

b) Investments

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

c) Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is charged on a straight line basis to write off the cost of the assets, less residual value, over their estimated useful lives.

Rates of depreciation are:

Land and buildings	2%-7%
Plant & equipment	2%-25%
Motor vehicles	25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies (continued)

d) Lease commitments

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

e) Stock

Stock is stated at the lower of cost and estimated net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items, where appropriate.

f) 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 payments to the artist. Net advances to artists are classified as falling due within one year, although elements may not be recovered until more than one year. Long term advances to artists, where the effect of the time value of money is material, are discounted.

g) Classification of shares as debt or equity

Preference shares that provide for the contractual right to deliver cash to another entity are classified as a financial instrument. The corresponding dividends are charged to the profit and loss account.

The company's 4.82% non redeemable preference shares have been accounted for as such a financial instrument.

h) Turnover

Turnover represents the invoiced value of services and royalty income, excluding VAT. Turnover is attributable to one activity; the marketing and distribution of recorded music.

United Kingdom royalty income is credited to the profit and loss account in the period to which it relates, or if it cannot 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. Royalties payable are charged against the relevant income of the same period.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies (continued)

i) 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.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

j) Deferred taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of 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 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 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.

k) Foreign currencies

Transactions in foreign currencies are recorded using the rate 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 market rate of exchange ruling at that date. All differences are taken to the profit and loss account.

l) Share-based payments

The cost of cash settled transactions is measured at fair value using an appropriate enterprise valuation model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the fair value at that date. Changes in the carrying amount for the liability are recognised in the profit and loss for the period.

m) Pension and other post retirement benefits

The Company participates in a 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.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies (continued)

m) Pension and other post retirement benefits (continued)

The Company has been able to separately identify the Universal Music share of the underlying assets and liabilities on a consistent and reasonable basis and has therefore accounted for the benefits of current and former Universal Music employees on a defined benefit scheme basis in accordance with FRS 17 'Retirement Benefits'. In accordance with the standard, the operating and financing costs are recognised separately in the profit and loss account in the period in which they arise. Operating costs consist of service costs, past service benefit enhancements, settlements and curtailments. Financing costs consist of expected return on pension scheme assets and interest on pension liabilities. The difference between the actual and expected return on assets during the year, changes in actuarial assumptions and experience gains/losses are recognised in the Statement of Total Recognised Gains and Losses.

The difference between the market value of assets and the present value of the corresponding liabilities is recognised as an asset or liability on the Company's balance sheet net of deferred taxation (to the extent that it is recoverable).

The Company charges a monthly service charge to certain other fellow subsidiaries in respect of the Universal Music defined benefit operating and finance costs.

2 Turnover

Turnover by destination is as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
United Kingdom	276,165	258,588
Europe	30,747	27,895
United States of America	10,777	12,694
Rest of World	20,709	9,322
	338,398	308,499

Turnover by source is exclusively derived in the United Kingdom.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

3 Operating profit

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Operating profit is stated after charging/(crediting):		
Depreciation on tangible fixed assets:		
- owned	3,446	1,426
- leased	212	162
Exchange gain	(671)	(1,532)
Operating lease charges:		
- plant and machinery	146	307
- land and buildings	3,092	2,832
Auditor's remuneration:		
Audit services	185	122

The company also incurred costs in respect of audit services on behalf of other group entities amounting to £214,000 (2007: £210,000).

4 Exceptional costs

	Year ended 31 December 2008	Year ended 31 December 2007
Amounts written off intercompany debts	-	16,158

5 Directors' emoluments

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Aggregate emoluments	3,131	2,194
Aggregate amounts receivable under long term incentive schemes	8,010	-
Company contributions to money purchase scheme	81	37
	11,222	2,231

Retirement benefits are accruing to five directors (2007: two) under the Universal defined contribution section of the Vivendi Universal Pension Scheme. Two directors were not members of any retirement benefit schemes.

The emoluments of two directors (2007: two) were paid and borne by other fellow group undertakings and they received no remuneration in respect of their services to the company.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

5 Directors' emoluments (continued)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' emoluments	585	938
	585	938

The highest paid director received a cash settlement under the Universal Music Group Equity Incentive Plan.

Four directors received share options under the group's long term incentive grant scheme (2007: three). The amounts payable to the directors under long term incentive schemes were £nil (2007: £nil).

6 Employee information

The average monthly number of employees including directors during the year was made up as follows:

	Year ended 31 December 2008 No.	Year ended 31 December 2007 No.
Commercial and administrative	456	695

Their aggregate remuneration comprised:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Wages and salaries	25,931	27,064
Social security costs	3,130	3,218
Other pension costs	4,900	1,610
Staff costs	33,961	31,892

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

7 Interest receivable and similar income

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest receivable from banks and other interest receivable	-	4
Interest receivable from group companies	112,089	48,337
	112,089	48,341

8 Interest payable and similar charges

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Finance charges payable under finance leases	51	47
Bank overdraft and other interest payable	101	156
Interest payable to group companies	113,123	55,742
	113,275	55,945

9 Other finance costs

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Expected return on pension scheme assets	2,700	2,500
Interest on pension obligation	(4,200)	(4,000)
	(1,500)	(1,500)

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

10 Tax on profit/ (loss) on ordinary activities

(a) Analysis of (credit)/ charge in year	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Current tax		
Group relief payable for losses surrendered from other group undertakings	3,136	-
Adjustments in respect of previous years		
UK corporation taxation	(21,809)	(7)
Total current taxation (see (b) below)	(18,673)	(7)
Deferred taxation for the year	3,131	2,435
Adjustments in respect of previous years	379	942
Deferred taxation charge (see (d) below)	3,510	3,377
Total taxation (credit)/charge	(15,163)	3,370

(b) Factors affecting tax credit for the year	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit/ (loss) on ordinary activities before tax	21,578	(13,947)
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	6,042	(4,184)
Effects of :		
Expenses not deductible for tax purposes	170	6,317
Adjustments in respect of prior years:		
Movement in timing differences (see (d) below)	(3,131)	(2,435)
Adjustments to tax credit in respect of prior periods	(21,809)	(7)
Impact of statutory effective rate difference of 0.5%	55	302
Total current tax credit	(18,673)	(7)

(c) Factors that may affect future tax charges : None

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

10 Tax on profit/ (loss) on ordinary activities (continued)

(d) The following deferred tax (liability)/ assets have been provided:

	Year ended 31 December 2008			Year ended 31 December 2007 Restated		
	Provided £'000	Not Provided £'000	Total £'000	Provided £'000	Not Provided £'000	Total £'000
Accelerated capital allowances	(196)	-	(196)	90	-	90
Tax losses carried forward	-	-	-	263	-	263
Other short-term timing differences	(2,616)	-	(2,616)	(299)	-	(299)
	(2,812)	-	(2,812)	54	-	54

Deferred taxation (liability)/ asset movements:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Asset as at start of year	54	2,138
Deferred taxation charge in profit & loss account (see (a) above)	(3,131)	(2,435)
Prior year adjustment	(379)	(937)
Pension adjustment	644	1,288
(Liability)/ asset as at end of year	(2,812)	54

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

11 Tangible fixed assets

	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2008	27,957	13,857	1,040	42,854
Additions	3	2,496	246	2,745
Disposals	(35)	(3,627)	(36)	(3,698)
At 31 December 2008	27,925	12,726	1,250	41,901
Depreciation				
At 1 January 2008	9,647	11,655	448	21,750
Charge for year	1,498	1,948	212	3,658
Disposals		(2,616)	(11)	(2,627)
At 31 December 2008	11,145	10,987	649	22,781
Net book amount				
At 31 December 2008	16,780	1,739	601	19,120
At 31 December 2007	18,310	2,202	592	21,104

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
The net book amount of land and buildings comprises:		
Freehold	9,477	9,787
Short leaseholds	7,303	8,523
	16,780	18,310

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Assets held under finance leases and capitalised in plant and machinery		
Cost	1,071	880
Accumulated depreciation	(564)	(364)
Net book amount	507	516

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

12 Fixed asset investments

	Shares in subsidiary undertakings £'000	Def American Limited Partnership £'000	Total £'000
Cost			
At 1 January 2008	8,179	23	8,202
Additions	8,202	-	8,202
At 31 December 2008	16,381	23	16,404
Provision for impairment			
At 1 January 2008	(5,497)	(23)	(5,520)
Charge for the year	-	-	-
At 31 December 2008	(5,497)	(23)	(5,520)
Net book value			
At 31 December 2008	10,884	-	10,884
At 31 December 2007	2,682	-	2,682

The company's investment in a Limited Partnership represents a 50% share of Def American Limited, which is involved in licensing and distributing recorded music in the United Kingdom. The aggregate investment in associated undertakings and in the limited partnership under equity accounting at 31 December 2008 is nil (2007: nil).

On 4 April 2008, Universal Music Operations Limited acquired 50% of the ordinary share capital of All Around The World Limited for net consideration of £8,000,000. The company incurred an additional £202,000 in acquisition costs related to the purchase.

Subsidiary undertakings

The principal subsidiaries of Universal Music Operations Limited as at 31 December 2008 were as follows:

Name	Country of registration	Ordinary share holdings	Nature of business
Fiction Records Limited	England and Wales	100%	Marketing and distribution of recorded music
Serious Records Limited	England and Wales	100%	Marketing and distribution of recorded music
Universal Music Mobile Limited	England and Wales	100%	Dormant company
Vice Versa Limited	England and Wales	100%	Dormant company
All Around The World	England and Wales	50%	Marketing and distribution of recorded music

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

13 Stock

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Finished goods and goods for resale	1,580	1,274

The difference between the purchase price or production cost of stock and their replacement cost is not material.

14 Debtors

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Debtors: amounts falling due within one year		
Trade debtors	109,376	96,652
Amounts due from group undertakings:		
Overseas group undertakings	44,027	207,766
UK group undertakings	1,657,516	1,304,050
Other debtors	19,902	2,065
Prepayments and accrued income	20,659	9,359
Taxation and social security	14,598	-
	1,866,078	1,619,892

All other amounts due from UK group undertakings are unsecured and repayable on demand. Interest accrues on these amounts excluding group relief at rates between 1 month LIBOR and 1 month LIBOR plus 1%.

Included within trade debtors are advances to artists of £44,852,000 (2007: £37,207,000). At 31 December 2008 £33,444,756 related to discounted advances due in more than one year.

Included within amounts due from overseas group undertakings are the following interest-bearing amounts:

- Enil (2007: £169,520,000) in respect of an intercompany debtor with a fellow group undertaking, Universal Music Group Treasury S.A. At 31 December 2008 the balance with Universal Music Group Treasury S.A. is an intercompany creditor (see note 15).

Included within amounts due from UK group undertakings are the following interest-bearing amounts:

- £207,674,000 (2007: £207,674,000) in respect of an intercompany balance with Universal Music (UK) Holdings Limited. Interest accrues on the loan at the 1 month LIBOR plus 1.00%.
- £136,000,000 (2007: £136,000,000) in respect of an intercompany loan with a fellow group undertaking, Centenary UK Limited. Interest accrues on the loan at the 1 month LIBOR rate + 1.1%.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

14 Debtors (continued)

- £560,000,000 (2007: £560,000,000) in respect of an intercompany loan due from a fellow group undertaking, Centenary Music Holdings Limited. The loan is unsecured, interest free and repayable on demand.
- £199,954,000 (2007: £nil) in respect of an intercompany loan due from a fellow group undertaking, Centenary Music Holdings Limited. The loan is unsecured, interest free and repayable on demand.

15 Creditors: amounts falling due within one year

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Obligations under finance leases (note 20)	351	230
Trade creditors	150,335	134,279
Amounts owed to group undertakings:		
Overseas group undertakings	14,754	3,693
UK group undertakings	1,246,861	1,047,215
Corporation tax	7,215	50,091
Other taxation and social security	8,326	6,886
Other creditors	26,493	1,453
Accruals and deferred income	42,766	38,253
Bank overdraft	1,009	1,109
	1,498,110	1,283,209

All amounts due to UK group undertakings are unsecured and repayable on demand. Interest accrues on these amounts excluding group relief at rates between 1 month LIBOR and 1 month LIBOR plus 1%.

Included within amounts due to overseas group undertakings are the following interest-bearing amounts:

- £10,784,000 (2007: £162,520,000 debtor) in respect of an intercompany balance with a fellow group undertaking, Universal Music Group Treasury S.A.

16 Creditors: amounts falling due after one year

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Obligations under finance leases (note 20)	234	303

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

17 Provisions for liabilities and charges

	Artist royalties	Deferred taxation (note 10)	Equity incentive plan (note 23)	Other	Total
	£'000	£'000	£'000	£'000	£'000
Provision at the start of year	9,244	(54)	6,813	121	16,124
Arising in the year	1,769	2,866	2,437	-	7,072
Utilised in the year	(1,762)	-	(1,240)	-	(3,002)
Released in the year	(1,264)	-	-	-	(1,264)
Provision at the end of the year	7,987	2,812	8,010	121	18,930

Provision is made against the outcome of artist royalty audits ongoing at the balance sheet date, and against additional artist 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.

18 Called-up share capital

	Year ended 31 December 2008	Year ended 31 December 2007
	£'000	£'000
Authorised:		
15,000 ordinary shares of £1 each	15	15
2,045 4.82% non-redeemable preference shares of £1 each	2	2
	17	17
Allotted, called up and fully paid:		
15,000 ordinary shares of £1 each	15	15
	15	15

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

18 Called-up share capital (continued)

The preference shares, classified as financial liabilities on the balance sheet, carry the right to preferential dividends at the rate of 4.82% per annum of the amount paid up (including the premium). The shares carry the following rights and obligations:

- (i) On a return of assets, on a winding-up, or otherwise, the shares carry the right to a sum equal to all arrears or accruals of the fixed dividend to the date of commencement of the winding-up and no right to repayment of capital. Holders of non-redeemable preference shares are not entitled to any right of participation in the assets of the company.
- (ii) The shares carry the right to receive notice of or to attend or vote at General Meetings of the company. Whenever the holders of preference shares are entitled to vote on a resolution at a general meeting of the company, the shares carry the right to one vote per share.
- (iii) The shares carry the right to two preferential dividends on 30 June and 31 December per annum at the rate of 4.82% per annum of the amount paid up (including the premium), or any amount which falls to be treated as paid up, on each preference share. Holders of preference shares are not entitled to any further right of participation in the profits of the company.

The company has the right to redeem on any date all of its preference shares issued and outstanding by giving written notice. The preference shares must be redeemed, in any event, no later than the fifth anniversary of the date of their issue.

On 20 March 2008 the holder of all of the issued fixed-rate, non-redeemable preference shares irrevocably waived any and all rights in respect of any accrued preferential dividends.

The non-redeemable preference shares valued at £2,045 and the related share premium of £135,998,000 are therefore considered in total as £136,000,000 of non-equity.

19 Reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
As 1 January 2008	15	194,024	194,039
Profit for the year		36,741	36,741
Net actuarial gains on pensions		300	300
Deferred tax movement on actuarial gains		(84)	(84)
At 31 December 2008	15	230,981	230,996

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

20 Leases

Annual obligations under non-cancellable operating leases are as follows:

	Year ended 31 December 2008 Land and buildings £'000	Year ended 31 December 2007 Land and Buildings £'000
Operating leases which expire:		
Over five years	3,092	3,092

Obligations under non-cancellable finance leases are as follows:

	Year ended 31 December 2008 Plant & equipment £'000	Year ended 31 December 2007 Plant & equipment £'000
Gross lease rentals outstanding	726	776
Less: Finance charges outstanding	(141)	(243)
Net obligations	585	533
On demand or within one year	351	230
Due between one and two years	234	221
Due between two and five years	-	82
Net obligations	585	533

21 Related party transactions

During the year, Universal Music Operations Limited, distributed product on behalf of NBC Universal, a company which is 20% owned by the ultimate parent undertaking, Vivendi Universal S.A.

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Distribution fee income received	25	7,011

At 31 December 2008, the related party owed Universal Music Operations Limited £25,000 (2007: £93,000).

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

22 Pension scheme arrangements

Vivendi S.A. operates the Vivendi Universal Pension Scheme ("VUPS" or "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 principal employer of this Scheme for the year was Centenary Holdings Limited ("CHL"). From 1 January 2009, the principal employer of this Scheme is Universal Music Operations Limited ("UMO"). The Scheme is independent of the Vivendi 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.

Prior to 13 November 2008, each defined benefit member of the Scheme was 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 were accounted for within Universal Music Operations Limited and the underlying assets and liabilities of the scheme allocated to the SWSG and VUE members were accounted for within Centenary Holdings Limited. Both companies are fellow group undertakings.

On 13 November 2008 the Universal Music pensioner members of the Scheme transferred to the Vivendi 2008 Pensioners' Scheme ("VPS"), which is accounted for in its entirety within CHL. The underlying liabilities allocated to these members and related assets were transferred at the same point in time and the transfer has been accounted for as a settlement within VUPS. Consequently, from 13 November 2008 UMO no longer holds any liability in respect of the transferring Universal Music pensioner members and the Scheme is accounted for within Universal Music Operations Limited in its entirety.

Formal actuarial valuations are normally carried out on a triennial basis. The FRS 17 disclosures for the year ending 31 December 2007 and 31 December 2008 have been based on the results of a full formal actuarial valuation as at 5 April 2006 updated to the 2007 and 2008 year ends by an independent qualified actuary. Scheme assets are stated at their market value at the balance sheet dates.

The deficit as at 31 December 2008 and related FRS 17 disclosures relating to the Universal Music Section have been identified below.

The company operates a defined benefit pension plan for its employees.

Key assumptions:

	Year ended 31 December 2008	Year ended 31 December 2007
Rate of increase in salaries	4.90%	4.85%
Rate of increase of deferred pensions	3.40%	3.35%
Discount rate	6.10%	5.70%
Inflation assumption	3.40%	3.35%
Expected rates of return on scheme assets:		
Equities	5.35%	5.40%
Bonds	4.75%	4.80%

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

22 Pension scheme arrangements (continued)

The assets attributable to the defined benefits of the Scheme are:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Equities	8,112	14,560
Bonds	25,688	41,440
Fair value of assets	33,800	56,000
Present value of scheme liabilities	(52,400)	(77,200)
Defined benefit pension scheme deficit	(18,600)	(21,200)
Related deferred tax asset	5,208	5,923
Net pension liability	(13,392)	(15,277)

Recognised in the profit and loss account

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Loss on settlement	(3,300)	-
Recognised in arriving at the operating profit	(3,300)	-
Expected return on pension scheme assets	2,700	2,500
Interest on pension obligation	(4,200)	(4,000)
Other finance cost (see note 9)	(1,500)	(1,500)
Total recognised in the profit and loss account	(4,800)	(1,500)

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

22 Pension scheme arrangements (continued)

Recognised in the Statement of Total Recognised Gains and Losses

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Actual return on scheme assets	(5,200)	(1,700)
Less: expected return on pension scheme assets	2,700	2,500
	(2,500)	800
Other actuarial gains	2,800	2,500
Actuarial gain recognised in the Statement of Total Recognised Gains and Losses	300	3,300

The cumulative amount of actuarial losses since 2002 in the Statement of Total Recognised Gains and Losses is £7,200,000.

Movements in defined benefit obligation during the year

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Present value of defined benefit obligation:		
At beginning of year	(77,200)	(85,500)
Interest cost	(4,200)	(4,000)
Actuarial gain on scheme liabilities	8,200	7,500
Benefits paid	1,800	4,800
Settlements	19,000	-
At the end of the year	(52,400)	(77,200)

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

22 Pension scheme arrangements (continued)

Movements in fair value of plan assets

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Fair value of pension scheme assets at start of year	56,000	57,700
Expected return on pension scheme assets	2,700	2,500
Actuarial loss on pension scheme assets	(7,900)	(4,200)
Contributions by the company	7,100	4,800
Benefits paid	(1,800)	(4,800)
Settlements	(22,300)	
Fair value of pension scheme assets at end of year	33,800	56,000

History of experience gains and losses

	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Present value of defined benefit obligation	(52,400)	(77,200)	(85,500)	(81,800)
Fair value of scheme assets	33,800	56,000	57,700	58,000
Deficit in the scheme	(18,600)	(21,200)	(27,800)	(23,800)
Experience adjustments arising on plan liabilities	(8,300)	(2,500)	(1,800)	200
Experience adjustments arising on plan assets	7,900	4,200	(2,200)	(3,100)

The total pension contributions made by the Company were £7,100,000 in 2008 (2007 £4,800,000). The Company charged a service fee amounting to £800,000 in 2008 (2007 £nil) to fellow subsidiaries in respect of defined benefit contributions. With effect from 1 December 2006, the Defined Benefit Section of the Scheme closed to future accrual. Past service benefits remain linked to final salary for active members of the Scheme who accrued defined benefits up to or after 1 October 2005. The participating employers to the Scheme agreed to contribute a total of £825,500 per month, plus the cost of administration expenses and death in service insurance premiums. The Company's share of this amounted to £7,100,000 in 2008. The company expects to contribute £7,100,000 to its pension plan in 2009.

Universal Music Operations Limited

Notes to the financial statements for the year ended 31 December 2008

23 Share based payments

Since 2003, Universal Music Group ("UMG") of which the company is a member, has maintained an Equity Incentive Plan, under which certain key executives of UMG are awarded Equity Units. These Equity Units are phantom stock units whose value is intended to reflect the value of UMG, net of certain other adjustments as defined in the plan. These Equity Units are simply units of account, and they do not represent an actual ownership interest in either the company, UMG or Vivendi S.A. (the ultimate parent undertaking). The plan calls for Equity Units to vest at the end of a fixed vesting period that coincides with the term of the director's employment agreement. The plan calls for a cash payment to be made to any director of Universal Music Operations Limited ("UMO") participating in the scheme at the end of that vesting period, based on the value of the Equity Units at that time. The Plan is denominated in US\$.

In order to value the Equity Units for accounting purposes prior to an actual payment, the value of the Units is estimated based on publicly-available estimates of UMG's enterprise value. While an executive's Equity Units generally vest at the end of a fixed vesting period, an expense is recognised over the vesting period as services are rendered. Specifically, the expense recognised is based on the portion of the vesting period that has elapsed and the estimated value of those Equity Units. The plan vested on 31 December 2008 and at this time the estimated value of the rights vested and accrued in UMO amounted to £8,010,000 not including social security costs (2007: £6,813,000). A third party valuation was performed in January 2009, which confirmed the year end accrual was reasonable. The cash settlement was paid out as the final distribution under the Plan in February 2009, and there are no longer any payment obligations under this Plan.

24 Contingent liabilities

The company has given an unlimited multilateral company guarantee in respect of an overdraft facility held by Universal Island Records Limited.

25 Ultimate parent undertaking & controlling party

The immediate parent undertaking is Universal Music Leisure Limited. 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 are 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 Freidland
75380 Paris
Cedex 08
France