

Glassbag Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30th September 2007

TUESDAY



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25/03/2008
COMPANIES HOUSE

Company Registration No 03599533

Glassbag Limited

DIRECTORS AND OFFICERS

DIRECTORS

PJ Wallace

RM Constant

BJ Muir

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

Sanctuary House

45-53 Sinclair Road

London W14 0NS

AUDITORS

KPMG Audit Plc

8 Salisbury Square

London EC4Y 8BB

Glassbag Limited

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 30 September 2007

PRINCIPAL ACTIVITIES

The company operates in the entertainment industry worldwide, acquiring music rights and marketing these by the release of its own label compact discs, cassettes and records and by the sub-licensing, direct sale or other exploitation of the rights

RESULTS AND DIVIDENDS

The loss for the year after taxation of £243,000 (2006 £105,000) will be transferred to the company's reserves

The directors are precluded from recommending the payment of a dividend in respect of the year ended 30 September 2007

The directors do not expect any change in the activities of the company. The directors do not expect the company to perform significantly during the coming year

DIRECTORS AND DIRECTORS' INTERESTS

The following directors held office during the year

PFWallace (appointed 1 September 2007)

R Semon (resigned 1 September 2007)

RM Constant (appointed 1 September 2007)

BJ Muir (appointed 1 September 2007)

The directors held no beneficial interest in the shares of the company or the ultimate parent company

There were no contracts of significance existing during the year or at the year end in which any director of the company was materially interested


AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



PFWallace

Director  2008

Glassbag Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLASSBAG LIMITED

We have audited the financial statements of Glassbag Limited for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 Director's 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 Director's 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 director 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its loss 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 Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

10 March 2008

Glassbag Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2007

	Notes	2007 £'000	2006 £'000
TURNOVER	2	122	108
Cost of sales		(237)	(89)
Gross (loss) / profit		(115)	19
Administrative expenses		(86)	(124)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(201)	(105)
Taxation on loss on ordinary activities	5	(42)	-
RETAINED LOSS FOR THE FINANCIAL YEAR	11	(243)	(105)

The operating loss for the current and prior year arises from the company's continuing operations

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

No reconciliation of the movement in shareholders' funds is presented as the only movement is the loss for the year

The notes on pages 7 to 12 form an integral part of these financial statements

Glassbag Limited

BALANCE SHEET

30 September 2007

	Notes	2007 £'000	2006 £'000
CURRENT ASSETS			
Stock	6	-	3
Debtors	7	52	152
Cash at bank and in hand		5	11
		<u>57</u>	<u>166</u>
CREDITORS Amounts falling due within one year	8	(1,474)	(1,340)
		<u>(1,417)</u>	<u>(1,174)</u>
NET LIABILITIES			
		<u>(1,417)</u>	<u>(1,174)</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	(1,417)	(1,174)
		<u>(1,417)</u>	<u>(1,174)</u>
SHAREHOLDERS' DEFICIT			
		<u>(1,417)</u>	<u>(1,174)</u>

The financial statements were approved by the board of directors on 7 March 2008 and signed on its behalf by



P.F. Wallace
Director

The notes on pages 7 to 12 form an integral part of these financial statements

Glassbag Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

1. Accounting policies

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

1.1 Basis of Preparation

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

As the company is a wholly owned subsidiary of Vivendi SA, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements

1.2 Going Concern

As at 30 September 2007, the company had net current liabilities of £1,417,000 (2006 £1,174,000). The financial statements have been prepared on a going concern basis in view of a formal undertaking from Centenary Music Holdings Limited, a company wholly owned and controlled by the company's ultimate parent undertaking, Vivendi SA, confirming that it will provide sufficient funds to the company to enable it to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements. The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on a going concern basis.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria must also be met before revenue is recognised.

1.4 Turnover

Turnover comprises the invoiced value of sales of records, compact discs and audio and video cassettes and the sale of distribution rights, excluding value added tax.

1.5 Royalty Income

Royalty income from license contracts is recognised, together with associated artist royalty cost, when it has been earned and can be reliably measured, based on consideration of each contract.

Under most licence contracts, revenue is considered to have been earned when the licensee reports sales to the Group. Where the Group receives advances from licensees which are recoupable from future royalties, these advances are initially recorded as liabilities, revenue is recognised subsequently as the licensee reports royalties on their sales.

Where a license agreement is, in substance, an outright sale, license income is recognised as revenue immediately. For an outright sale to have occurred, the licensee must have signed a non-cancellable contract, paid a fixed fee or non-refundable guarantee, been provided with the means to freely exploit their contractual rights, and have no significant ongoing reliance on the Group (as the licensor) to perform any other delivery obligations. In addition, the artist royalty cost associated with the income must have been accurately quantified.

Glassbag Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

1.6 Advances

In the ordinary course of business the company pays advances and other expenses recoupable from future royalties to performing artists, songwriters, producers and third-party rights owners. In certain cases, recouped amounts are repayable by these third parties. The amounts paid are carried at cost less recoupment and less an allowance for any amounts which are not expected to be recoupable, based on past revenue performance and current popularity, or recoverable by any other means.

1.7 Deferred Taxation

The charge for taxation is based on the profit for the year 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 the right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.8 Foreign Exchange Differences

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Glassbag Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2007

2 TURNOVER

The company's turnover was derived from its principal activity Sales were made in the following geographical markets

	2007 £'000	2006 £'000
Segmental analysis by destination		
United Kingdom	115	62
EC	4	27
North America	3	14
Rest of the World	-	5
	<u>122</u>	<u>108</u>

3 LOSS ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
Loss on ordinary activities before taxation is stated after charging		
Provision against artist advance payments	103	-
	<u>103</u>	<u>-</u>

Auditors' remuneration of £ 8,000 (2006 £8,000) was borne by the immediate parent undertaking, Sanctuary Records Group Limited

4 EMPLOYEES

	2007 £'000	2006 £'000
The average weekly number of persons (excluding directors) employed by the company during the year was		
United Kingdom	-	-
	<u>-</u>	<u>-</u>

Those directors who were also directors of fellow subsidiaries of The Sanctuary Group Limited did not receive any remuneration for their services to this company The company did not require any employees other than directors

Glassbag Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2007

5	TAXATION	2007 £'000	2006 £'000
	Analysis of charge in year		
	Current tax		
	UK Corporation tax at 30% (2006 30%)	-	-
	Deferred tax		
	Origination and reversal of timing differences	42	-
	Tax on profit on ordinary activities	42	-
	Factors affecting tax charge for the year		
	Tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) The difference is explained below		
	Loss on ordinary activities before tax	(201)	(105)
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 – 30%)	(60)	(32)
	Effects of		
	Tax losses not utilised	60	32
	Current tax charge for year	-	-
6	STOCKS	2007 £'000	2006 £'000
	Finished goods	-	3
7	DEBTORS	2007 £'000	2006 £'000
	Due within one year		
	Trade debtors	10	14
	Other debtors and prepayments	32	16
	Deferred tax (Note 9)	-	42
	Amount due from parent undertaking in respect of consortium relief	10	10
	Advance royalty payment	-	70
		52	152

Advance royalty payments are recoupable over the unexpired period of the relevant licences. The timing of the recoupment depends on future royalty income and is therefore uncertain. The full amount has been included in amounts due within one year.

Glassbag Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2007

8	CREDITORS Amounts falling due within one year	2007 £'000	2006 £'000
	Amounts owed to parent undertaking	1,458	1,329
	Trade creditors	10	11
	Accruals and deferred income	6	-
		<u>1,474</u>	<u>1,340</u>
9	DEFERRED TAX	2007 £'000	2006 £'000
	Deferred tax asset is		
	Accelerated capital allowances	-	42
		<u>-</u>	<u>42</u>
	At 1 October	42	42
	Deferred tax charged to profit and loss account	(42)	-
		<u>-</u>	<u>42</u>
	At 30 September (Note 7)	-	42
10	SHARE CAPITAL	2007 £	2006 £
	Authorised		
	1,000 ordinary shares of £1 each	1,000	1,000
		<u>1,000</u>	<u>1,000</u>
	Allotted, issued and fully paid		
	2 ordinary shares of £1 each	2	2
		<u>2</u>	<u>2</u>
11	PROFIT AND LOSS ACCOUNT	2007 £'000	2006 £'000
	1 October	(1,174)	(1,069)
	Loss for the year	(243)	(105)
		<u>(1,417)</u>	<u>(1,174)</u>
	30 September	(1,417)	(1,174)

Glassbag Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2007

12 CONTINGENT LIABILITIES

The company has guaranteed the bank indebtedness of certain fellow subsidiaries and has executed a charge over its assets in favour of the bank. At 30 September 2007 the total net borrowings of these companies amounted to £nil (2006 £73,456,000)

13 IMMEDIATE PARENT AND ULTIMATE PARENT COMPANY

The immediate parent company is Sanctuary Records Group Limited, a company registered in England and Wales. The ultimate parent undertaking 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 the annual report may be obtained from

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