

Centenary Music Holdings Limited
(Registered Number: 5344517)

Directors' Report and Financial Statements
for the year ended 31 December 2007

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Centenary Music Holdings Limited

Directors' Report for the year ended 31 December 2007

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

Principal activity and future developments

The company's principal activity during the year was to act as a holding and finance company. The directors do not anticipate any change in the activities of the company in the foreseeable future.

Business review

The results of the company for the year ended 31 December 2007 are given in the profit and loss account on page 6 of the financial statements. Trading was in line with the directors' expectations.

The company's loss before taxation for the year increased by £14,460,000 primarily due to changes in the interest rate charged on new loans in the year.

On 29 May 2007, Centenary Music Holdings Limited acquired the entire issued share capital of BMG Music Publishing Holding UK Limited for consideration of £148,820,000. The company incurred an additional £3,087,000 in acquisition costs associated with the purchase, amounting to a total investment cost of £151,907,000.

On 26 September 2007, Centenary Music Holdings Limited acquired the entire issued share capital of The Sanctuary Group PLC for consideration of £44,978,000. The company incurred £2,548,000 in acquisition costs related to the purchase, amounting to a total investment cost of £47,526,000. The issued share capital of Sanctuary Group Plc was then de-listed from the London Stock Exchange on 27 September 2007.

On 26 September 2007, Centenary Music Holdings Limited acquired the entire issued share capital of V2 Music Group Limited for consideration of £8,000,000. The company incurred £290,000 in acquisition costs related to the purchase, amounting to a total investment cost of £8,290,000.

Principal risks and uncertainties

The company is exposed to an interest rate risk. The company's primary expense is derived from interest payable on loans with group undertakings. The interest payable is charged at the London Interbank Offered Rate plus a margin.

Results and dividends

The company's loss after taxation for the year was £17,390,000 (2006: £4,817,000).

The directors do not recommend the payment of a dividend. The loss for the year has been transferred to reserves (2006: nil).

Centenary Music Holdings Limited

Directors' Report for the year ended 31 December 2007

Directors and their interests

The directors who held office during the year ended 31 December 2007 and subsequently were as follows

Boyd Muir
Nicolaas Henny (US Citizen)
Richard Constant (appointed 25 March 2008)

At no time during the year ended 31 December 2007 did any director have any interest in the share capital of the company which is required to be notified to the company under Section 324 of the Companies Act 1985

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

Elective resolutions

On 16 December 2005, 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

Statement of directors' responsibilities

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 year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed

Centenary Music Holdings Limited

Directors' Report for the year ended 31 December 2007

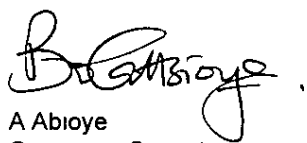
Statement of directors' responsibilities (continued)

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

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

364-366 Kensington High Street
London
W14 8NS

28 March 2008

Centenary Music Holdings Limited

Independent Auditors' Report to the members of Centenary Music Holdings Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). In addition we report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Centenary Music Holdings Limited

Independent Auditors' Report to the members of Centenary Music Holdings Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its 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 directors' report is consistent with the financial statements

Ernst & Young C.L.P.
29 March 2008

Ernst & Young LLP
Registered auditor
London

Centenary Music Holdings Limited

Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Administrative expenses		-	(105)
Operating loss	2	-	(105)
Interest payable and similar charges	4	(21,296)	(6,731)
Loss on ordinary activities before taxation		(21,296)	(6,836)
Taxation on loss on ordinary activities	5	3,906	2,019
Loss on ordinary activities after taxation and retained loss for the year	11	(17,390)	(4,817)

The above results were derived entirely from continuing operations

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year and their historical cost equivalents

Statement of total recognised gains and losses

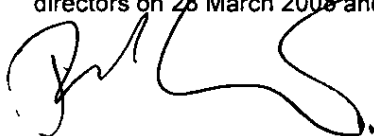
	<i>Note</i>	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Profit on ordinary activities after tax		(17,390)	(4,817)
Exchange difference on foreign currency asset	11	837	(837)
Total gains and losses recognised since last annual report		(16,553)	(5,654)

Centenary Music Holdings Limited

Balance sheet as at 31 December 2007

	Note	31 December 2007 £'000	31 December 2006 £'000
Fixed assets			
Investments	6	1,111,759	904,000
		1,111,759	904,000
Non-current assets	7	-	149,281
Current assets			
Debtors	8	79,730	3,005
Creditors amounts falling due within period	9	(972,189)	(820,433)
Net current liabilities		(892,459)	(817,428)
Total assets less current liabilities		219,300	235,853
Net assets		219,300	235,853
Capital and reserves			
Called up share capital	10	-	-
Share premium	11	244,000	244,000
Profit and loss account	11	(24,700)	(7,310)
Other reserves		-	(837)
Equity shareholders' funds	12	219,300	235,853

The financial statements on pages 6 to 15 were approved and authorised for issue by the board of directors on 28 March 2008 and were signed on its behalf by



Richard Constant
Director

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

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 immediate parent undertaking is incorporated within the European Union and the results of the company are included within the publicly available consolidated accounts of Vivendi S A , 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

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

Continued support from intermediate parent undertaking

The financial statements have been prepared on the going concern basis as the company has received confirmation from Universal Music Group Inc, the company's intermediate parent undertaking, of its intention to continue to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a year not less than one year from the date of approval of these financial statements. Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the deficit on net current liabilities at 31 December 2007

b) Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for impairment. Costs include acquisition costs directly related to the acquisition of the investment

c) Deferred taxation

The charge for taxation is based on the loss 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 respects 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

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies

c) Deferred taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the year 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.

d) 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 with the exception of differences on foreign currency borrowings, to the extent that they are used as finance. These are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

e) Interest-bearing loans and borrowings

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

2 Operating loss

Auditors' remuneration of £6,000 and certain other administrative costs are borne by other United Kingdom group undertakings (year ended 31 December 2006: £6,000). No costs were incurred in respect of non-audit services during the year.

3 Directors' emoluments and employee information

The directors received no remuneration in respect of their services to the company (year ended 31 December 2006: nil).

The company had no employees during the year ended 31 December 2007 (year ended 31 December 2006: nil).

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

4 Interest payable and similar charges

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Interest payable on amounts due to group undertakings	21,296	6,731
	21,296	6,731

5 Taxation on loss on ordinary activities

(a) Analysis of taxation credit

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Current taxation		
Group relief receivable on losses surrendered to other group companies	(3,906)	(2,019)
Total current taxation (see (b) below)	(3,906)	(2,019)
Total deferred taxation charge	-	-
Total taxation credit	(3,906)	(2,019)

(b) Factors affecting taxation credit for the period

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Loss on ordinary activities before taxation	(21,296)	(6,836)
Loss on ordinary activities multiplied by standard rate of corporation taxation in the UK of 30% (2006 30%)	(6,389)	(2,051)
Effects of		
Expenses not deductible for taxation purposes	2,483	32
Total current taxation credit receivable	(3,906)	(2,019)

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

6 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2007	904,000
Additions	207,759
At 31 December 2007	1,111,759

The directors have considered the carrying value of investments as at 31 December 2007 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

On 29 May 2007, Centenary Music Holdings Limited acquired the entire issued share capital of BMG Music Publishing Holding UK Limited for consideration of £148,820,000. The company incurred an additional £3,087,000 in acquisition costs associated with the purchase, amounting to a total investment cost of £151,907,000.

On 26 September 2007, Centenary Music Holdings Limited acquired the entire issued share capital of The Sanctuary Group Limited for consideration of £44,978,000. The company incurred an additional £2,584,000 in acquisition costs related to the purchase, amounting to a total investment cost of £47,562,000.

On 26 September 2007, Centenary Music Holdings Limited acquired the entire issued share capital of V2 Music Group Limited for consideration of £8,000,000. The company incurred £290,000 in acquisition costs related to the purchase, amounting to a total investment cost of £8,290,000.

Subsidiary undertakings

The directors are of the opinion that the number of subsidiary undertakings is such that compliance with the full disclosure requirements of Schedule 5, part 1, paragraph 1 of the Companies Act 1985 would result in particulars of excessive length. Accordingly in accordance with section 231 of the Companies Act 1985, only those subsidiary undertakings whose profits or assets are significant in terms of the company have been included.

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

6 Fixed asset investments (Continued)

The group has the following principal investments in subsidiary undertakings

Name of company	Country of incorporation	Ordinary share holdings	Nature of business
A&M Records Limited	England & Wales	100%	Marketing and distribution of recorded music
Centenary UK Limited *	England & Wales	100%	Finance and holding company
Decca Music Group Limited	England & Wales	100%	Marketing and distribution of recorded music
Go! Discs Limited	England & Wales	100%	Marketing and distribution of recorded music
Universal Music Group International Limited	England & Wales	100%	Management services company
Universal Music Holdings (UK) Limited	England & Wales	100%	Finance and holding company
Centenary Holdings Limited	England & Wales	100%	Finance and holding company
Mercury Records Limited	England & Wales	100%	Marketing and distribution of recorded music
Polydor Limited	England & Wales	100%	Marketing and distribution of recorded music
Universal – Island Records Limited	England & Wales	100%	Marketing and distribution of recorded music
Universal – MCA Music (UK) Limited*	England & Wales	100%	Marketing and distribution of recorded music
Universal / MCA Music Limited	England & Wales	100%	Music publishing
Universal / Island Music Limited	England & Wales	100%	Music publishing
Universal Music (UK) Holdings Limited	England & Wales	100%	Holding company
Universal Music Leisure Limited	England & Wales	100%	Finance and holding company
Universal Music Operations Limited	England & Wales	100%	Marketing and distribution of recorded music
Universal Music Publishing MGB Limited	England & Wales	100%	Music publishing
Universal Music Publishing International MGB Limited	England & Wales	100%	Music publishing
Universal Music Publishing MGB Holding UK Limited*	England & Wales	100%	Finance and holding company
Universal Publishing Production Music Limited	England & Wales	100%	Music publishing
V2 Records Limited	England & Wales	100%	Marketing and distribution of recorded music
V2 Music Group Limited*	England & Wales	100%	Marketing and distribution of recorded music
V2 Music (France) SARL	France	100%	Marketing and distribution of recorded music
Sanctuary Copyrights Limited	England & Wales	100%	Marketing and distribution of recorded music

Centenary Music Holdings Limited

6 Fixed asset investments (Continued)

Sanctuary Records Group Limited	England & Wales	100%	Marketing and distribution of recorded music
Bravado International Group Limited	England & Wales	100%	Merchandising of licensed products
Bravado Retail & Licensing Limited	England & Wales	100%	Merchandising of licensed products
Helter Skelter Agency Limited	England & Wales	100%	Musicians' agent
Trinifold Management Limited	England & Wales	100%	Music industry management services
Twenty First Artists Limited	England & Wales	100%	Artist services
The Sanctuary Group Limited*	England & Wales	100%	Finance and holding company
Universal Music Publishing Limited	England & Wales	100%	Music publishing

Preference shareholdings

Name of company	Country of incorporation	Preference share holdings	Nature of business
Backcite Limited *	England & Wales	100%	Finance and holding company
Universal Music Operations Limited	England & Wales	100%	Marketing and distribution of recorded music

Those marked with an asterisk are directly owned, all other companies are held through subsidiary undertakings

7 Non-current assets

	31 December 2007 £'000	31 December 2006 £'000
Deposit paid to group undertaking	-	147,983
Other non-current assets	-	1,298
	-	149,281

Included in non-current assets is an amount of £nil (2006 £147,983,000) due after more than one year. This represents a non refundable deposit paid to another group undertaking in advance for shares in BMG Music Publishing Holdings B V. Other non-current assets represent acquisition costs related to the deposit.

Foreign exchange gains and losses related to the deposit in the year ended 31 December 2006 have been reversed as the asset was denominated in sterling.

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

8 Debtors

	31 December 2007 £'000	31 December 2006 £'000
Amounts due from group undertakings	79,730	3,005
	79,730	3,005

Amounts due from 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%.

9 Creditors: amounts falling due within one year

	31 December 2007 £'000	31 December 2006 £'000
Amounts due to group undertakings	14,535	10,649
Loans due to group undertakings	957,654	809,784
	972,189	820,433

Included within loans due to group undertakings are the following loans:

- Loan due to UMI Finance SAS, for a principal amount of £100,964,000 (2006: 100,964,000). The loan is unsecured and repayable on demand. Interest accrues on the loan at the 1 year LIBOR rate + 1.3% and is payable annually.

- Loan due to UMG Finance UK Limited, for the principal amount of £157,988,000 (2006: £148,820,000). The loan is unsecured and matures on 14 December 2016 or repayable on demand. Interest accrues on the loan at 12 month LIBOR rate + 1% and is payable annually.

- Loan due to Universal Music Operations Limited, for a principal amount of £560,000,000. The loan is unsecured, interest free and repayable on demand.

- Loan due to UMG Finance UK Limited, for the principal amount of £140,000,000. The loan is unsecured and matures on 1 August 2017 or repayable on demand. Interest accrues on the loan at 12 month LIBOR rate + 1% and is payable annually.

Amounts due to 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%.

Centenary Music Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

10 Called-up share capital

	31 December 2007 £	31 December 2006 £
Authorised		
1,000,000,000 ordinary shares of £1 each	1,000,000,000	1,000,000,000
Allotted, called-up and fully paid		
3 ordinary shares of £1 each	3	3

11 Reconciliation of movements in equity shareholders' funds

	Share Capital £'000	Share Premium £'000	Profit and Loss Account £'000	Other Reserves £'000	Equity Shareholders' Funds £'000
As at 1 January 2007	-	244,000	(7,310)	(837)	235,853
Loss for the period			(17,390)	837	(16,553)
At 31 December 2007		244,000	(24,700)	-	219,300

Foreign exchange charged to the reserves in the year ended 31 December 2006 has been reversed as the asset to which it was related was denominated in sterling

12 Ultimate parent party

The immediate parent undertaking is PolyGram B V , a company incorporated in the Netherlands. The ultimate parent undertaking and controlling party is Vivendi S A , a company incorporated in France.

The smallest and largest group in which the results of the company will be consolidated will be that headed by Vivendi S A incorporated in France. Copies of its annual report in English may be obtained from

Vivendi S A
42 Avenue de Friedland
75380 Paris
Cedex 08
France