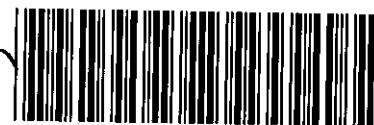


Universal Music UK Limited
(Registered Number: 2075744)

Directors' Report and Financial Statements
for the Year Ended 31 December 2006

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Directors' Report for the year ended 31 December 2006

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

Principal activity

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

Business review

The result and position of the company as at and for the year ended 31 December 2006 are set out in the profit and loss account and balance sheet on pages 5 and 6 respectively. The result and position of the company were in line with directors' expectations.

Results and dividends

The company's profit after taxation for the year ended 31 December 2006 was £nil. (2005: £51,000 loss).

The directors do not recommend the payment of a dividend (2005: nil).

Principal risks and uncertainties

The company has net liability position as at 31 December 2006 and is reliant on the support of its intermediate parent in order to remain a going concern.

Directors and their interests

The directors who held office during the year ended 31 December 2006 were as follows:

DT Bryant
TC Fisher
LC Grainge
MJ Swatton

At no time during the year ended 31 December 2006 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.

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.'

Universal Music UK Limited

Directors' Report for the year ended 31 December 2006 (continued)

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.

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

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of approving this report, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors confirm that they have taken all necessary steps, as directors, to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

By Order of the Board


D Bryant
Director

364-366 Kensington High Street
London
W14 8NS

9 March 2007

Universal Music UK Limited

Independent Auditors' Report to the members of Universal Music UK Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. 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.

Universal Music UK Limited

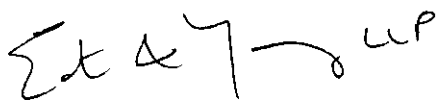
Independent Auditors' Report to the members of Universal Music UK Limited

(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result 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

12 March 2007

Profit and loss account for the year ended 31 December 2006

| | <i>Note</i> | Year ended 31 December 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|-------------|--|--|
| Loss on disposal of subsidiary undertaking | 2 | - | (58) |
| Interest receivable and similar income | 4 | - | 10 |
| Profit/(loss) on ordinary activities before taxation | | - | (48) |
| Taxation on profit/(loss) on ordinary activities | 5 | - | (3) |
| Retained profit/(loss) for the financial year | 9 | - | (51) |

The above results are derived entirely from continuing operations.

The company has no recognised gains and losses other than that reported above and therefore no separate statement of total recognised gains and losses has been presented.

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

Universal Music UK Limited

Balance Sheet as at 31 December 2006

| | <i>Note</i> | 31 December 2006 £'000 | 31 December 2005 £'000 |
|---|-------------|------------------------------|------------------------------|
| Current assets | | | |
| Debtors | 6 | 64 | 5,376 |
| Creditors: amounts falling due within one year | 7 | (265) | (5,577) |
| Net current liabilities | | (201) | (201) |
| Total assets less current liabilities/ net liabilities | | (201) | (201) |
| Capital and reserves | | | |
| Called-up share capital | 8 | 250 | 250 |
| Profit and loss account | 9 | (451) | (451) |
| Equity shareholders' deficit | 9 | (201) | (201) |

The financial statements on pages 5 to 10 were approved by the board of directors on 9 March 2007 and were signed on its behalf by:



DT Bryant
Director

Universal Music UK Limited

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies

Basis of preparation

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

Continued support from intermediate parent undertaking

The financial statements have been prepared on a going concern basis as the company has received confirmation from PolyGram B.V., the company's intermediate parent undertaking of its intention to continue to provide such support as may be necessary to ensure the continuing operations of the company for a period of not less than twelve months from the date of approval of these financial statements.

Having regard to this intention, the directors believe it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net liabilities at 31 December 2006

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Vivendi S.A. 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.

2 Loss on disposal of subsidiary undertaking

| | Year ended 31 December 2006 £'000 | Year ended 31 December 2005 £'000 |
|--|--|--|
| Loss on disposal of subsidiary undertaking | - | 58 |

Loss on disposal of subsidiary relates to additional costs in respect of the sale of a 100% holding in Universal Group Direct Limited on 31 December 2004. Following the sale, the company no longer held any investments in subsidiary undertakings.

Auditors' remuneration of £4,000 (2005: £5,000) and certain other administrative costs were borne by other United Kingdom group undertakings in both years. No costs were incurred in respect of non-audit services in either period.

3 Directors' emoluments and employee information

The directors received no remuneration in respect of their services to the company (2005: nil).

The company had no employees during the year ended 31 December 2006 (2005: nil).

Universal Music UK Limited

Notes to the financial statements for the year ended 31 December 2006

4 Interest receivable and similar income

| | Year ended 31 December 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|--|--|
| Interest receivable on loan to group undertakings | - | 10 |

5 Taxation on profit/loss on ordinary activities

(a) Analysis of charge for the year

| | Year ended 31 December 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|--|--|
| Current taxation | - | - |
| Group relief payable for losses surrendered from other group companies for the year | - | 3 |
| Total current taxation (see (b) below) | - | 3 |
| Total taxation charge for the year | - | 3 |

(b) Factors affecting taxation charge for the year

| | Year ended 31 December 2006 £'000 | Year ended 31 December 2005 £'000 |
|---|--|--|
| Profit/(loss) on ordinary activities before taxation | - | (48) |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation taxation in the UK of 30% (2005: 30%) | - | (14) |
| Effects of : | | |
| Loss on sale of subsidiary not deductible for taxation purposes | - | 17 |
| Total current taxation charge for the year | - | 3 |

(c) Factors that may affect future taxation charges:

There are no factors that may affect future taxation charges of the company (2005: none).

(d) Deferred taxation

There are no deferred taxation balances in either years.

Universal Music UK Limited

Notes to the financial statements for the year ended 31 December 2006

6 Debtors

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|-------------------------------------|------------------------------|------------------------------|
| Amounts due from group undertakings | 64 | 5,376 |
| | 64 | 5,376 |

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

7 Creditors: amounts falling due within one year

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|-----------------------------------|------------------------------|------------------------------|
| Amounts due to group undertakings | 262 | 5,574 |
| Corporation tax payable | 3 | 3 |
| | 265 | 5,577 |

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

8 Called-up share capital

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|--|------------------------------|------------------------------|
| Authorised: | | |
| 250,000 ordinary shares of £1 each | 250 | 250 |
| Allotted, called-up and fully paid: | | |
| 250,000 ordinary shares of £1 each | 250 | 250 |

Universal Music UK Limited

Notes to the financial statements for the year ended 31 December 2006

9 Reconciliation of movements in equity shareholders' deficit

| | Share capital | Profit and Loss Account | Total equity shareholders' deficit |
|-----------------------------------|------------------|-------------------------------|--|
| | £'000 | £'000 | £'000 |
| At 1 January and 31 December 2006 | 250 | (451) | (201) |

10 Ultimate controlling party

The immediate parent undertaking is Makeback 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 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