

**Know Existence Limited**  
(Registered Number: 2038004)

# Directors' Report and Financial Statements

## for the year ended 31 December 2004

# **Know Existence Limited**

## **Directors' Report for the year ended 31 December 2004**

The directors presents their annual report and the audited financial statements for the year ended 31 December 2004.

### **Principal activities and future developments**

The company has not traded during the year. The directors expect this situation to continue for the foreseeable future.

### **Business review**

The results of the company for the year ended 31 December 2004 are set out on page 4 of the financial statements. The company did not trade during the year.

### **Results and dividends**

The company's result for the year was £nil (2003: £nil).

The directors do not recommend the payment of a dividend for the year (2003: £nil).

### **Director and director's interests**

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

TC Fisher  
Universal Music UK Limited (

At no time during the year ended 31 December 2004 did the directors have any interest which is required to be notified to the company under s324 of the Companies Act 1985.

### **3 Elective resolutions**

On 14 April 1998, 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 re-appoint 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.

# **Know Existence Limited**

## **Directors' Report for the year ended 31 December 2004**

### **Statement of Director's 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.

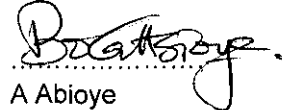
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have 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.

### **Auditors**

Following the resignation of PricewaterhouseCoopers LLP as auditors on ~~10~~ December 2004, the directors have appointed its successors Ernst & Young LLP, Ernst & Young LLP have indicated their willingness to continue in office.

On behalf of the board:



A Abioye  
Secretary  
15<sup>th</sup> March 2005

1 Sussex Place  
Hammersmith  
London  
W6 9XS

# Know Existence Limited

## Independent Auditors Report

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 9. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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.

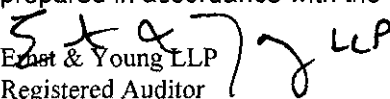
### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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 of the state of affairs of the company as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London

16 March 2005

## **Know Existence Limited**

### **Profit and loss account**

**For the year ended 31 December 2004**

The company did not trade during the year nor the prior year and consequently no profit and loss account has been presented for either year.

*The company has no recognised gains and losses in either year other than the profit or loss reported above and therefore no separate statement of total recognised gains and losses has been presented.*

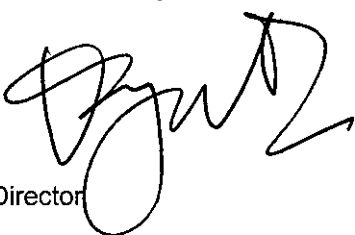
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalent.

# Know Existence Limited

## Balance Sheet As at 31 December 2004

	Notes	31 December 2004 £	31 December 2003 £
<b>Current assets</b>			
Debtors	5	561,715	561,715
<b>Creditors: amounts falling due within one year</b>	6	(2,787,080)	(2,787,080)
<b>Net current liabilities and Net liabilities</b>		<b>(2,225,365)</b>	<b>(2,225,365)</b>
<b>Capital and reserves</b>			
Called-up share capital	7	100	100
Profit and loss account	8	(2,225,465)	(2,225,465)
<b>Equity shareholders' deficit</b>	8	<b>(2,225,365)</b>	<b>(2,225,365)</b>

The accounts on pages 4 to 9 were approved by the board of directors on 15 March 2005 and signed on its behalf by:

  
Director

## **Know Existence Limited**

### **Notes to the financial statements for the year ended 31 December 2004**

#### **1 Accounting Policies**

##### **a) Basis of preparation**

These financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

The Company is a wholly owned subsidiary of Vivendi Universal S.A. who controls 90% or more of the voting rights and is included in the consolidated financial statements of the group, which are publicly available. Consequently, the Company has taken advantage of the exemption in FRS 1 from preparing a cash flow statement and the exemption in FRS 8 from disclosing transactions with entities that are part of the Vivendi Universal S.A. group or investees of that group.

##### **Continued support from intermediate parent undertaking**

The financial statements have been prepared on a going concern basis as the company has received confirmation from Universal International Music B.V., the company's intermediate parent undertaking, *of its present intention to provide such support as may be necessary to ensure the continuing operations of the Company for a year of not less than twelve months from the date of approval of these financial statements.* Having regard to this intention, the director believes it is appropriate to prepare these financial statements on a going concern basis, notwithstanding the net liabilities at 31 December 2004.

##### **b) Royalties and advances**

UK royalty income is credited to the profit and loss account on a receipt basis. Royalties payable are charged against the relevant income of the same year. Overseas royalty income, which is all collected on behalf of the company by affiliated undertakings, is credited to the profit and loss account in the year overseas sales are reported to the company.

Advances to unproven artists are written down in full and income is recognised in the profit and loss account only in the year advances are actually recouped. Advances to other artists are written down to the estimated amount that will be recoverable from future royalty receipts. Net advances to artists are classified within debtors although advances may be recoverable after more than one year.

## Know Existence Limited

### Notes to the financial statements for the year ended 31 December 2004

(continued)

#### 1 Accounting Policies (continued)

##### c) Taxation

The charge for taxation is based on the profit or 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.

#### 2 Profit on ordinary activities before taxation

Auditors' remuneration of £2,000 (2003: £2,000) and certain administrative costs are borne by other United Kingdom group undertakings. No amounts were paid to the auditors in respect of non-audit services.

#### 3 Director's remuneration and employee information

The director received no fees or emoluments during the year ended 31 December 2004 (2003: £nil). The Company had no employees during the year ended 31 December 2004 (2003: £nil).

#### 4 Tax on profit on ordinary activities

##### a) Analysis of charge in year

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Current tax :		
UK corporation tax on profit for the year	-	-
	-	-



# Know Existence Limited

## Notes to the financial statements for the year ended 31 December 2004

(continued)

### b) Factors affecting tax charge for the year

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Profit on ordinary activities before tax	-	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%) (2003: 30%)	-	-
<b>Total current tax (see (a) above)</b>	<b>-</b>	<b>-</b>

### 5 Debtors

	2004 £	2003 £
Amounts owed by group undertakings	561,715	561,715
	<b>561,715</b>	<b>561,715</b>

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

### 6 Creditors: Amounts falling due within one year

	2004 £	2003 £
Amounts owed to group undertakings	2,769,238	2,769,238
UK Corporation Tax	17,842	17,842
	<b>2,787,080</b>	<b>2,787,080</b>

Amounts due from group undertakings are unsecured, interest free and repayable on demand. There are no fixed repayment dates.

## Know Existence Limited

### Notes to the financial statements for the year ended 31 December 2004

(continued)

#### 7 Called-up share capital

	2004 £	2003 £
<b>Authorised</b>		
10,000 ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called-up and fully paid</b>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

#### 8 Combined statement of movements in reserves and equity shareholders' funds

	Share capital £	Profit and loss account £	Total equity shareholders' deficit £
At 1 January 2004	100	(2,225,465)	(2,225,365)
Profit for the year	-	-	-
At 31 December 2004	<u>100</u>	<u>(2,225,465)</u>	<u>(2,225,365)</u>

#### 9 Ultimate parent undertaking

The immediate parent undertaking is Polydor Limited, a company registered in England and Wales. The ultimate parent undertaking is Vivendi Universal 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 Universal SA incorporated in France. Copies of its annual report in English may be obtained from:

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