

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

**Report and Financial Statements**  
**for the year ended 31 December 2002**



## **KNOW EXISTENCE LIMITED**

### **Directors' Report For Year Ended 31 December 2002**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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

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

#### **Business review**

The results of the company for the year ended 31 December 2002 are given in the profit and loss account on page 4 of the financial statements. These are in line with the expectations of the directors.

#### **Results and dividends**

The company's profit after tax for the year was £589,632 (2001: £nil).

The directors do not recommend the payment of a dividend for the year (2001: £nil). The retained profit for the year has been transferred to reserves.

#### **Directors and directors' interests**

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

TC Fisher

Universal Music UK Limited (appointed 23 May 2003)

At no time during the year ended 31 December 2002 did the directors have any interest which is required to be notified to the company under s324 of the Companies Act 1985.

#### **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 with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 6 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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 him 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.

**Directors' Report**  
**For Year Ended 31 December 2002 (Continued)**

**Auditors**

After completing the 31 December 2001 audit, Deloitte & Touche resigned as auditors on 21 July 2003. The directors appointed PricewaterhouseCoopers LLP as auditors on 20 October 2003.

By Order of the Board

A handwritten signature in black ink, appearing to read 'MA Howle', written over a horizontal line.

MA Howle

**Company Secretary**

17 February 2004

1 Sussex Place  
Hammersmith  
London W6 9XS

## **Independent Auditors' Report to the Members of Know Existence Limited**

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The director's responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of director's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 director's 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 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 of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

17 February 2004

**KNOW EXISTENCE LIMITED**

**Profit and loss account  
For the year ended 31 December 2002**

	<i>Notes</i>	<b>Year ended 31 December 2002 £</b>	<b>Year ended 31 December 2001 £</b>
<b>Turnover</b>		-	-
<b>Cost of sales</b>		<u>79,474</u>	-
<b>Gross profit</b>		<u>79,474</u>	-
<b>Other operating income</b>		<u>528,000</u>	-
<b>Profit on ordinary activities before taxation</b>	2	<u>607,474</u>	-
<b>Tax on profit on ordinary activities</b>	4	<u>(17,842)</u>	-
<b>Retained profit for the financial year</b>	8	<u><u>589,632</u></u>	-

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 2002

	Notes	31 December 2002 £	31 December 2001 £
<b>Current assets</b>			
Debtors	5	561,715	115,715
<b>Creditors: amounts falling due within one year</b>	6	<u>(2,787,080)</u>	<u>(2,930,712)</u>
<b>Net current liabilities</b>		<u>(2,225,365)</u>	<u>(2,814,997)</u>
<b>Net liabilities</b>		<u>(2,225,365)</u>	<u>(2,814,997)</u>
<b>Capital and reserves</b>			
Called-up share capital	7	100	100
Profit and loss account	8	<u>(2,225,465)</u>	<u>(2,815,097)</u>
<b>Equity shareholders' deficit</b>	8	<u>(2,225,365)</u>	<u>(2,814,997)</u>

The accounts on pages 4 to 10 were approved by the board of directors on 17 February 2004 and signed on its behalf by:

  
TC Fisher  
Director

**Notes to the financial statements for the year ended 31 December 2002**

**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. The Company 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 period of no 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 2002.

**b) Change in accounting policy**

The Company adopted FRS19 'Deferred Taxation' during the year. This has resulted in a change in accounting policy in relation to deferred taxation. The new policy is stated below.

The adoption of FRS19 had no effect on either the current year tax charge nor the comparative figures for the year ended 31 December 2001.

**c) 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 or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

**d) 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 period. 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 period overseas sales are reported to the company.

Advances to unproven artists are written down in full and income is recognised only in the period 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 2002 (Continued)

### 1 Accounting Policies (continued)

#### e) 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 profits from which the future reversal of the underlying timing differences can be deducted.

### 2 Profit on ordinary activities before taxation

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<b>Profit on ordinary activities before taxation is stated after charging / (crediting) :</b>		
Write back of provision against intercompany receivable	(446,000)	-
Auditors' remuneration:		
- Audit services	2	-

### 3 Director's remuneration and employee information

The director received no fees or emoluments during the year ended 31 December 2002 (2001:£nil).

The Company had no employees during the twelve month period ended 31 December 2002 (2001:£nil).



# KNOW EXISTENCE LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 4 Tax on profit on ordinary activities

#### (a) Analysis of charge in period

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Current tax :		
UK corporation tax on profit for the period	17,842	-
	<u>17,842</u>	<u>-</u>

#### (b) Factors affecting tax charge for the period

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Profit on ordinary activities before tax	607,474	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%) (2001: 30%)	182,242	-
Effects of :		
Timing Differences (short term)	(30,600)	-
Non taxable income	(133,800)	-
	<u>17,842</u>	<u>-</u>

#### (c) Deferred tax

	2002 Not Provided	2002 Total £	2001 Not Provided	2001 Total £
Accelerated capital allowances	-	-	-	-
Other short term timing differences	-	-	30,600	-
Tax losses c/fwd	-	-	-	-
	<u>-</u>	<u>-</u>	<u>30,600</u>	<u>-</u>

# KNOW EXISTENCE LIMITED

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 5 Debtors

	2002	2001
	£	£
Amounts owed by group undertakings	561,715	115,715
	<u>561,715</u>	<u>115,715</u>

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

	2002	2001
	£	£
Trade creditors	-	57,474
Amounts owed to group undertakings	2,769,238	2,769,238
UK Corporation Tax	17,842	-
Accruals and deferred income	-	104,000
	<u>2,787,080</u>	<u>2,930,712</u>

### 7 Called-up share capital

	2002	2001
	£	£
<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>

## KNOW EXISTENCE LIMITED

### Notes to the financial statements for the year ended 31 December 2002 (Continued)

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

	Share capital £	Profit and loss account £	Total equity shareholders' Deficit £
At 1 January 2002	100	(2,815,097)	(2,814,997)
Profit for the year	-	589,632	589,632
At 31 December 2002	<u>100</u>	<u>(2,225,465)</u>	<u>(2,225,365)</u>

#### 9 Ultimate parent undertaking

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