

Company Registration No. 2667707

UNIVERSAL/CITYBEAT MUSIC LIMITED

Report and Financial Statements

31 December 2002



UNIVERSAL/CITYBEAT MUSIC LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The company's principal activity during the year was music publishing. There has been no significant change to this activity during 2002, and the directors expect there that there will be no significant change during the forthcoming year.

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. Trading was in line with directors' expectations.

RESULTS AND DIVIDENDS

The company's profit for the year was £9,000 (year ended 31 December 2001: £4,000). The directors do not recommend the payment of a dividend (year ended 31 December 2001: £nil). The retained profit has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

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

D Stanbury (resigned 14 February 2002)

P E Connolly

R J Morris (appointed 14 February 2002)

At no time during the year did any director have any interest which is required to be notified to the company under 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.

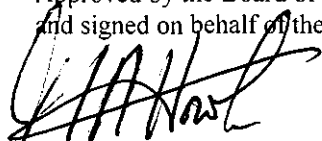
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

DIRECTORS' REPORT (Continued)

AUDITORS

After completing the 31 December 2001 audit, Deloitte & Touche resigned as auditors and the directors appointed Pricewaterhouse Coopers LLP to fill the vacancy arising.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'M A Howie', is written over the printed name and title.

M A Howie
Secretary

5 May 2004

1 Sussex Place
London
W6 9XS

UNIVERSAL/CITYBEAT MUSIC LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNIVERSAL/CITYBEAT MUSIC 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 directors' 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 directors' 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 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 is not disclosed.

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 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 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

5 May 2004

UNIVERSAL/CITYBEAT MUSIC LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	16	17
Cost of sales		<u>(6)</u>	<u>(11)</u>
GROSS PROFIT/OPERATING PROFIT/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	10	6
Tax on profit on ordinary activities	5	<u>(1)</u>	<u>(2)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION/RETAINED PROFIT FOR THE FINANCIAL YEAR	9	<u>9</u>	<u>4</u>

The results are derived entirely from continuing operations.

The company has no recognised gains or losses other than the result reported above in either year 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 stated above and their historical cost equivalents.

UNIVERSAL/CITYBEAT MUSIC LIMITED

BALANCE SHEET 31 December 2002

	Note	2002 £'000	2001 £'000
CURRENT ASSETS			
Debtors	6	<u>20</u>	<u>4</u>
		20	4
CREDITORS: amounts falling due within one year	7	<u>(23)</u>	<u>(16)</u>
NET CURRENT LIABILITIES		<u>(3)</u>	<u>(12)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES/NET LIABILITIES		<u>(3)</u>	<u>(12)</u>
CAPITAL AND RESERVES			
Called-up share capital	8	-	-
Profit and loss account	9	<u>(3)</u>	<u>(12)</u>
EQUITY SHAREHOLDERS' DEFICIT	9	<u>(3)</u>	<u>(12)</u>

These financial statements on pages 4 to 9 were approved by the Board of Directors on 5 May 2004

Signed on behalf of the Board of Directors



R J Morris
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

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.

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 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 deficit on net current liabilities at 31 December 2002.

Cashflow statement and related party disclosures

At 31 December 2002, the company was a subsidiary undertaking where 90% or more of the voting rights were controlled within the Vivendi Universal S.A. group and it is included in the consolidated financial statements of the group, which are publicly available. The company has consequently taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard FRS 1 (revised 1996) "Cash Flow Statements" and the exemption from disclosing related party transactions with entities that are part of the Vivendi Universal S.A. group or investees of that group under the terms of FRS 8 "Related Party Disclosures".

b) Turnover

Turnover represents the amounts received in respect of royalty income, exclusive of value added tax, and similar amounts recouped by sub-publishers against advances received by the company. UK royalty income is credited to the profit and loss account on a receipts basis.

Overseas royalty income, which is all collected on behalf of the company by other group undertakings, is credited to the profit and loss account in the period overseas sales are reported to the company.

c) Advances

Advances to 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.

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.

d) Deferred Taxation

In preparing the financial statements, the company has implemented Financial Reporting Standard 19 'Deferred Taxation'. This has resulted in a change in accounting policy in relation to deferred taxation.

However, the adoption of FRS 19 has not required any revisions to the profit for the current year, the profit for the previous year, nor the net assets as at 31 December 2001.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 December 2002

1. ACCOUNTING POLICIES (Continued)

d) Deferred Taxation (Continued)

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 the 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 financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply to 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 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 underlying timing differences can be deducted.

Deferred tax balances are not discounted.

e) Foreign currency

Transactions in foreign currencies are recorded using the rates 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 rates of exchange ruling at that date. All differences are included in the profit and loss account.

2. TURNOVER

Turnover is derived entirely within the United Kingdom from one continuing activity, music publishing.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration of £2,000 (2001: £2,000) and certain other administrative costs were borne by other fellow group undertakings. No amount was payable to the company's auditors in respect of non-audit services in either year.

4. INFORMATION REGARDING EMPLOYEES AND DIRECTORS' REMUNERATION

There were no employees during either year. The directors received no remuneration in respect of their services to the company (2001: £nil).

5. TAX ON PROFIT FROM ORDINARY ACTIVITIES

a) Analysis of charge in the year

	2002 £'000	2001 £'000
Current tax		
UK corporation tax on profits of the year	3	2
Adjustments in respect of previous periods	(2)	-
Total current tax (note 5(b))	1	2
Tax on profit on ordinary activities	1	2

Adjustments in respect of previous periods primarily relate to write off of prior year group relief, due to a management decision not to pay for these losses.

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NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2002

5. TAX ON PROFIT FROM ORDINARY ACTIVITIES (Continued)

b) Factors affecting tax charge for year

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%; 2001: 30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	10	6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	3	2
Effects of:		
Adjustments in respect of prior periods	(2)	-
Total current tax (note 5 (a))	1	2

There were no deferred tax balances in either period.

6. DEBTORS

	2002 £'000	2001 £'000
Amounts owed by group undertakings	20	4

Amounts owed by group undertakings are unsecured, interest free, unsecured and repayable on demand.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	16	16
Corporation tax	3	-
Amounts owed to group undertakings	4	-
	23	16

Amounts owed by group undertakings are unsecured, interest free, unsecured and repayable on demand.

8. CALLED-UP SHARE CAPITAL

	2002	2001
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid:		
100 ordinary shares of £1 each	100	100

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NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2002

9. RECONCILIATION OF MOVEMENTS IN RESERVES AND EQUITY SHAREHOLDERS' DEFICIT

	Share capital £'000	Profit and loss account £'000	Total Equity shareholders' deficit £'000
At 1 January 2001	-	(16)	(16)
Profit for the year	-	4	4
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	(12)	(12)
Profit for the year	-	9	9
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	(3)	(3)
	<hr/>	<hr/>	<hr/>

10. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Universal/Momentum Music Limited and the company's ultimate parent undertaking and controlling party is Vivendi Universal S.A.

The smallest and largest group in which the results of the company will be consolidated will be that headed by Vivendi Universal S.A., incorporated in France. Copies of its annual report in English may be obtained from the Company Secretary at 42 Avenue de Friedland, 75380, Paris, Cedex 08, France.