

Coombe Music International Limited

**Directors' report and financial
statements**

Registered number 2033222

31 December 2005



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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Report of the independent auditor to the members of Coombe Music International Limited	3 - 4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes	7 - 11

Directors' report

The directors presents their annual report and the audited financial statements for the year to 31 December 2005.

Activities

The company did not trade during the year.

Business review and results

The company made a loss on ordinary activities after taxation for the year of £15,459 (2004: *loss of £15,034*). The directors do not recommend the payment of a dividend (2004: *£nil*). Losses transferred to reserves amounted to £15,459 (2004: *losses transferred to reserves of £15,034*).

Future prospects

The directors do not expect a change in the level of activity in the foreseeable future.

Directors and directors' interests

The director who held office during the year was:

M A Smith (resigned 8 May 2006)

In addition D Pearce and R Stringer were appointed as directors on 8 May 2006.

None of the directors held an interest in the shares of the company or any other group undertaking at 31 December 2005 and 31 December 2004.

Company Secretary


EJP Wareham resigned and A George was appointed as company secretary on 29 July 2005.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order the Board

28 June 2006


A George
Secretary

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Coombe Music International Limited

We have audited the financial statements of Coombe Music International Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 auditor's 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 on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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.

Independent auditors' report to the members of Coombe Music International Limited *(continued)*

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

kpmg LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 June 2006

Profit and loss account

for the year to 31 December 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	-	7,074
Administrative expenses		-	(1,850)
		<hr/>	<hr/>
Operating profit		-	5,224
Interest receivable and similar income	6	155	-
Interest payable and similar charges	7	(22,240)	(23,360)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(22,085)	(18,136)
Tax credit on loss on ordinary activities	8	6,626	3,102
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(15,459)	(15,034)
		<hr/>	<hr/>
Retained loss for the year	13	(15,459)	(15,034)
		<hr/>	<hr/>

Turnover and loss on ordinary activities before taxation for the year and prior year relate exclusively to continuing operations.

There is no difference between the result as disclosed in the profit and loss account and result on a historical cost basis.

Statement of total recognised gains and losses

A statement of total recognised gains and losses has not been presented as there are no gains or losses other than those dealt with in the profit and loss account.

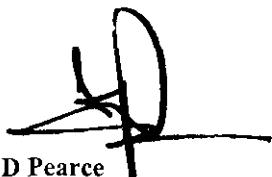
The notes on pages 7 to 11 form part of these financial statements.

Balance sheet

at 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible fixed assets	9	-	-
Current assets			
Debtors	10	15,222	8,441
Net current assets		<u>15,222</u>	<u>8,441</u>
Creditors: amounts falling due after more than one year	11	<u>(455,870)</u>	<u>(433,630)</u>
Net current liabilities / net liabilities		<u>(440,648)</u>	<u>(425,189)</u>
Equity capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	<u>(440,748)</u>	<u>(425,289)</u>
Equity shareholders' deficit	14	<u>(440,648)</u>	<u>(425,189)</u>

These financial statements were approved by the Board on 28 June 2006 and were signed on its behalf by:



D Pearce
Director

The notes on pages 7 to 11 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard No.1 Revised, Cash Flow Statements, being a wholly owned subsidiary of Sony BMG Music Entertainment B.V., a company incorporated in The Netherlands and which prepares consolidated financial statements in English containing a consolidated cash flow statement dealing with the cash flows of the group and of the company.

Going concern

The management of Sony BMG Music Entertainment (UK) Limited has informed the company that it is their intention to provide such financial support as is required by the company to meet its liabilities as they fall due for payment for a period not less than one year from the date of approval of these financial statements. In view of this continued support, the director has prepared these financial statements on a going concern basis.

Turnover

Turnover comprises the value of sales (excluding VAT and net of trade discounts) of goods sold in the normal course of business and royalty income. Turnover relating to goods is recognised when the product has been dispatched.

Royalties

Royalty income is included on a receivable basis calculated on sales of records arising during each accounting period as reported by licensees. Royalties payable are expensed on an accruals basis except when they are carried forward and recognised as an asset where such advances relate to current released and unreleased products and where it is estimated that sufficient future royalties will be earned for recoupment from those products. Advances for overseas licences received in respect of individual albums are carried forward and recognised as income over the expected life of each individual licence.

Taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Sony BMG UK entities which includes this company are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. Such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief receivable is included in the taxation charge or credit for the year.

Notes (continued)

2 Turnover

Turnover is generated from royalty and licence fees in the UK.

3 Loss on ordinary activities before taxation

The audit fee for the company is borne by a group company, Sony BMG Music Entertainment (UK) Limited.

4 Remuneration of directors

The directors received no emoluments in either year in respect of services to the company (2004: £ nil).

Retirement benefits are accruing to 1 director (2004: 1) under a money purchase pension scheme. The pension costs are charged in the accounts of Sony BMG Music Entertainment (UK) Limited, a group company.

5 Staff numbers and costs

There were no persons employed by the company during the year (2004: nil) and consequently no staff costs (2004: £nil).

6 Interest receivable and similar income

	2005 £	2004 £
Other interest receivable	155	-

Intercompany balances carried a rate of interest of 5.125% in 2005 (2004: 5.625%).

7 Interest payable and similar charges

	2005 £	2004 £
Other loans	22,240	23,360

Intercompany balances carried a rate of interest of 5.125% in 2005 (2004: 5.625%).

Notes (continued)

8 Tax credit on loss on ordinary activities

	2005 £	2004 £
UK corporation tax credit at 30% (2004: 30%)	(6,626)	(5,441)
Adjustment to prior period provision	-	2,339
	<u>(6,626)</u>	<u>(3,102)</u>

Factors affecting the tax credit for the year

The tax assessed for the year is equal to (2004: lower than) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(22,085)	(18,136)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(6,626)	(5,441)
Effects of:		
Adjustments to tax charge in respect of prior periods	-	2,339
Other timing differences	-	-
Current tax credit for year	<u>(6,626)</u>	<u>(3,102)</u>

9 Tangible fixed assets

	Catalogue masters 2005 £	Catalogue masters 2004 £
Cost:		
At 1 January 2005 and 31 December 2005	925,511	925,511
Depreciation:		
At 1 January 2005 and 31 December 2005	925,511	925,511
Net book value:		
At 31 December 2005 and 31 December 2004	-	-

Notes (continued)

10 Debtors

	2005 £	2004 £
Amounts owed by group undertakings	3,155	3,000
Group relief debtor	12,067	5,441
	<u>15,222</u>	<u>8,441</u>

11 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group undertakings	455,870	433,630
	<u>455,870</u>	<u>433,630</u>

12 Called up share capital

	2005 £	2004 £
<i>Authorised, allotted, called up and fully paid</i> 100 (2004: 100) ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

13 Profit and loss account

	2005 £	2004 £
Opening balance	(425,289)	(410,255)
Retained loss for the year	(15,459)	(15,034)
	<u>(440,748)</u>	<u>(425,289)</u>
Closing balance	<u>(440,748)</u>	<u>(425,289)</u>

Notes (continued)

14 Reconciliation of movements in equity shareholders' deficit

	2005 £	2004 £
Opening equity shareholders' deficit	(425,189)	(410,155)
Loss for the year	(15,459)	(15,034)
Closing equity shareholders' deficit	(440,648)	(425,189)

15 Deferred taxation

There were no deferred tax assets recognised and unrecognised as at 31 December 2005 or 31 December 2004 as all available tax losses were group relieved within the group.

16 Immediate and ultimate holding company

The company's immediate holding company is Zomba Records Limited, a company incorporated in England and Wales. The ultimate holding company is Sony BMG Music Entertainment B.V., a company registered in The Netherlands which is 50% owned by Bertelsmann AG and 50% owned by Sony Corporation of America.

The largest and smallest group for which group accounts are prepared, and of which the company is a member, is as follows:

Name	Sony BMG Music Entertainment B.V.
Country of incorporation	The Netherlands
Address from where copies of the Group accounts can be obtained	Heuvellaan 50, 1217 JN Hilversum The Netherlands

17 Related party transactions

The company is exempt under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions with entities that are part of the Sony BMG Music Entertainment B.V. group of companies. There are no other related party transactions.