

Coombe Music International Limited

**Directors' report and financial
statements**

Registered number 2033222

31 December 2004



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Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Coombe Music International Limited	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Balance sheet	5
Notes	6 - 10

Directors' report

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

Activities

The company is principally engaged in the business of running a cover version music catalogue.

Business review and results

The company made a loss after taxation of £15,034 (2003: loss of £5,951). The directors do not recommend the payment of a dividend (2003: *£nil*). The loss for the year transferred to reserves amounted to £15,034 (2003: loss of £5,951).

Directors and directors interests

The directors who held office during the year were:

J Dobinson	(resigned 15 April 2004)
M A Smith	(appointed 14 April 2004)
S Jenkins	(appointed 14 April 2004, resigned 30 September 2004)

The directors did not hold an interest in the shares of the company or any other group undertaking at 31 December 2003 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 reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order the Board

A George 2005


A George
Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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

Report of the independent auditor to the members of Coombe Music International Limited

We have audited the financial statements on pages 4 to 10.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 as at 31 December 2004 and of its profit 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

9th December 2005

Profit and loss account
for the year to 31 December 2004

	<i>Note</i>	2004	2003
		£	£
Turnover / Gross profit	2	7,074	6,455
Administrative expenses:			
- other		(1,850)	(7,250)
- exceptional item, impairment of catalogue masters		-	(7,000)
		(1,850)	(14,250)
Operating profit / (loss)	3	5,224	(7,795)
Interest payable	6	(23,360)	(495)
Loss on ordinary activities before taxation		(18,136)	(8,290)
Tax credit on loss on ordinary activities	7	3,102	2,339
Retained loss for the year	13	(15,034)	(5,951)

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

There is no difference between the profit as disclosed in the profit and loss account and profit 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 6 to 10 form part of these financial statements.

Balance sheet
at 31 December 2004

	<i>Note</i>	2004 £	2003 £
Current assets			
Fixed assets	8	-	-
Debtors	9	8,441	12,595
Creditors: amounts falling due within one year	10	-	(2,750)
Net current assets		<u>8,441</u>	<u>9,845</u>
Creditors: amounts falling due after more than one year	10	(433,630)	(420,000)
Net liabilities		<u>(425,189)</u>	<u>(410,155)</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	13	(425,289)	(410,255)
Equity shareholders' deficit	12	<u>(425,189)</u>	<u>(410,155)</u>

These financial statements were approved by the Board on ~~8 December~~ 2005 and were signed on its behalf by:


M A Smith
Director

The notes on pages 6 to 10 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 except as noted below.

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 the company's immediate parent undertaking, Zomba Records 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 at least 12 months from the date of finalising these financial statements. In view of this continued support, the directors have prepared these financial statements on a going concern basis.

Turnover

Turnover consists of royalties receivable and licensing fees exclusive of value added tax and arose in the United Kingdom. Royalties receivable are recognised on notification to the company in respect of royalty accounting periods ending within the financial year.

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 live 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 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 Operating profit / (loss)

The audit fee for the company is borne by Sony BMG Music Entertainment (UK) Limited (formerly known as BMG UK & Ireland Limited), another group company.

4 Directors remuneration

The director receives emoluments from the group for services to both the company and certain other subsidiaries in the group. The total emoluments are charged in the accounts of the holding company, Sony BMG Music Entertainment (UK) Limited.

Retirement benefits are accruing to 3 directors (2003: 1) under a money purchase pension scheme, and are charged in the accounts of the holding company.

5 Staff numbers and costs

There were no persons employed by the company during the year (2003: nil) and consequently no staff costs (2003: £nil).

6 Interest payable and similar charges

	2004 £	2003 £
Other loans	23,360	495
	<u>23,360</u>	<u>495</u>

Intercompany balances carried a rate of interest of 5.625% in 2004 (2003: 0%).

7 Tax credit on loss on ordinary activities

	2004 £	2003 £
UK corporation tax credit at 30% (2003: 30%)	(5,441)	(2,339)
Adjustment to prior period provision	2,339	-
	<u>(3,102)</u>	<u>(2,339)</u>

Notes (continued)

7 Tax credit on loss on ordinary activities (continued)

Factors affecting the tax charge/(credit) for year

The tax assessed for the year is lower (2003: lower) than the standard rate of corporation tax in the UK (30%; 2003: 30%).

The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	(18,136)	(8,290)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(5,441)	(2,487)
<i>Effects of:</i>		
Adjustments to tax charge in respect of previous periods	2,339	-
Other timing differences	-	148
Current tax credit for year	(3,102)	(2,339)

8 Tangible fixed assets

	Catalogue masters 2004 £	Catalogue masters 2003 £
Cost		
At 1 January 2004 and 31 December 2004	925,511	925,511
Depreciation		
At 1 January 2004 and 31 December 2004	925,511	925,511
Net book value		
At 31 December 2004	-	-
At 31 December 2003	-	-

Notes (continued)

9 Debtors

	2004 £	2003 £
Amounts owed by group undertakings	3,000	-
Group relief receivable	-	12,595
Other debtors including taxation	5,441	-
	<u>8,441</u>	<u>12,595</u>

10 Creditors: amounts falling due within one year and after more than one year

	2004 £	2003 £
<i>Amounts falling due within one year:</i>		
Accruals	-	2,750
<i>Amounts falling due after more than one year:</i>		
Amounts owed to group undertakings	433,630	420,000
	<u>433,630</u>	<u>422,750</u>

The loan is unsecured and is interest bearing (interest free in 2003).

11 Called up share capital

	2004 £	2003 £
<i>Authorised, allotted, called up and fully paid:</i>		
100 (2003: 100) ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

12 Reconciliation of movements in equity shareholders' deficit

	2004 £	2003 £
Opening equity shareholders' deficit	(410,155)	(404,204)
Loss for the year	(15,034)	(5,951)
	<u>(425,189)</u>	<u>(410,155)</u>

Notes (continued)

13 Profit and loss account

	2004 £	2003 £
Opening balance	(410,255)	(404,304)
Retained loss for the year	(15,034)	(5,951)
	<hr/>	<hr/>
Closing balance	(425,289)	(410,255)
	<hr/>	<hr/>

14 Ultimate parent company and controlling party

The company's immediate holding company is Zomba Records Limited, a company incorporated in England and Wales.

Following approval by the European Commission and U.S Federal Trade Commission, Bertelsmann AG (the company's former ultimate parent undertaking) and Sony Inc received clearance to proceed with a joint venture to create Sony BMG worldwide from the recorded music businesses of Sony Inc and Bertelsmann AG, effective from 1 August 2004.

Zomba Records Limited was one of the Bertelsmann owned businesses forming part of the joint venture. As a result, as at 1 August 2004 the ultimate holding company was Sony BMG Music Entertainment BV, 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

15 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.