

Coombe Music International Limited

**Directors' report and financial
statements**

Registered number 2033222

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 activities and business development

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

Results and financial position

The company made a loss after taxation of £90,659 (2001: £19,699). The financial position of the company at the end of the year is set out on page 5.

Dividends

The directors do not propose the payment of a dividend (2001: £nil).

Directors and directors interests

The directors who served during the year were as follows:

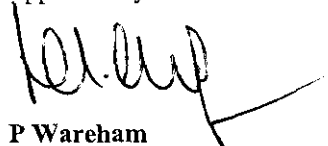
C I Calder	(resigned 26 November 2002)
D N Howe	(resigned 31 March 2003)
J L Dobinson	

No director had any beneficial interests in the ordinary shares of the company or any other group company at any time during either year.

Auditors

Deloitte & Touche resigned as auditors on 24 February 2003 and the directors appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



P Wareham
Secretary

16 December 2003

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 or loss 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;
- 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.



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London
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United Kingdom

Report of the independent auditors 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

18 December
2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002	2001
		£	£
Turnover		1,240	6,037
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		1,240	6,037
Administrative expenses:			
- other		(35,311)	(34,246)
- exceptional item	5	(66,845)	-
		<hr/>	<hr/>
		(102,156)	(34,246)
		<hr/>	<hr/>
Operating loss and loss on ordinary activities before taxation	3	(100,916)	(28,209)
Tax credit on loss on ordinary activities	4	10,257	8,510
		<hr/>	<hr/>
Loss for the financial year		(90,659)	(19,699)
Profit and loss account brought forward		(313,645)	(293,946)
		<hr/>	<hr/>
Profit and loss account carried forward		(404,304)	(313,645)
		<hr/>	<hr/>

A statement of total recognised gains and losses is not included in these accounts as there are no recognised gains or losses in either the current financial year or the previous financial year other than the results reported above.

The turnover and operating results for the year derive from continuing operations.

The notes on pages 7 to 10 form part of these financial statements.

Balance sheet
at 31 December 2002

	Note	£	2002	£	£	2001	£
Fixed assets							
Tangible assets	5			-		77,985	
Current assets							
Debtors	6	30,154			22,313		
		<u>30,154</u>			<u>22,313</u>		
Creditors: amounts falling due within one year	7	(34,358)			(13,843)		
		<u>(34,358)</u>			<u>(13,843)</u>		
Net current (liabilities)/assets				(4,204)		8,470	
Total assets less current (liabilities)/assets				<u>(4,204)</u>		<u>86,455</u>	
Creditors: amounts falling due after more than one year	8			(400,000)		(400,000)	
				<u>(404,204)</u>		<u>(313,545)</u>	
Capital and reserves							
Called up share capital	9			100		100	
Profit and loss account				<u>(404,304)</u>		<u>(313,645)</u>	
Shareholders' funds – equity				<u>(404,204)</u>		<u>(313,545)</u>	

These financial statements were approved by the board of directors on 16 December 2003 and were signed on its behalf by:


J Dobinson
Director

The notes on pages 7 to 10 form part of these financial statements.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(90,659)	(19,699)
Net reduction in shareholders' funds	(90,659)	(19,699)
Opening shareholders' deficit	(313,545)	(293,846)
Closing shareholders' deficit	(404,204)	(313,545)

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. The company has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred tax' in these financial statements. There has been no material impact of the adoption of FRS 19 'Deferred tax' on either the current or prior year.

Basis of preparation

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

The company is exempt from the requirements of Financial Reporting Standard 1, Cash Flow Statements, being a wholly owned subsidiary of Bertelsmann AG, a company incorporated in Germany which prepares publicly available consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Bertelsmann AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bertelsmann AG, within which the balance sheet of this company is included, can be obtained from Carl Bertelsmann Strasse 270, 33311 Gutersloh 1, Germany.

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.

Fixed assets

Depreciation is provided on the cost of fixed assets in equal annual instalments over their estimated lives. The estimated lives are as follows:

Catalogue masters	-	7 years
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Deferred 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.

Notes (continued)

2 Directors and employees

The only employees of the company were the directors who received no remuneration in either year in respect of services to this company.

3 Loss on ordinary activities before taxation

	2002 £	2001 £
The loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit fees	5,500	2,100
Depreciation of owned assets	23,740	26,000
Impairment of owned assets	66,845	-
	<u>66,845</u>	<u>-</u>

4 Tax credit on loss on ordinary activities

Analysis of charge in period

	2002 £	2001 £
<i>UK corporation tax</i>		
Current tax credit at 30% (2001: 30%)	10,257	8,510
Total current tax	<u>10,257</u>	<u>8,510</u>
Tax on profit on ordinary activities	<u>10,257</u>	<u>8,510</u>

Factors affecting the tax charge for the current period

The current tax credit is lower (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001:30%). The differences are explained below.

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(100,916)	(28,209)
Current tax credit at 30% (2001: 30%)	30,275	8,463
<i>Effects of:</i>		
Capital allowances in excess of depreciation	(20,018)	47
Total current tax credit (see above)	<u>10,257</u>	<u>8,510</u>

Notes (continued)

5 Tangible fixed assets

	Catalogue masters £
Cost	
At 1 January 2002	905,911
Additions	12,600
	<hr/>
At 31 December 2002	918,511
	<hr/>
Depreciation	
At 1 January 2002	827,926
Charge for the year	23,740
Impairment	66,845
	<hr/>
At 31 December 2002	918,511
	<hr/>
Net book value	
At 31 December 2002	-
	<hr/>
At 31 December 2001	77,985
	<hr/>

The depreciation for the year of £90,585 includes a charge of £66,845 following an impairment review of the value of the catalogue masters.

6 Debtors

	2002 £	2001 £
Trade debtors	-	2,350
Other debtors	490	556
Group relief receivable	29,664	19,407
	<hr/>	<hr/>
	30,154	22,313
	<hr/>	<hr/>

Notes (continued)

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	23,858	9,822
Trade creditors	5,500	1,646
Accruals	5,000	2,375
	<u>34,358</u>	<u>13,843</u>

8 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Amounts owed to parent company	400,000	400,000
	<u>400,000</u>	<u>400,000</u>

The loan is unsecured and is interest free.

9 Called up share capital

	2002 £	2001 £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

10 Related party transactions

During the year the company entered into the following transactions with fellow subsidiary undertakings of the ultimate parent company:

- (a) The company was recharged overhead expenses at cost by Zomba Records Limited during both years.

11 Contingent liability

The company is party to a cross guarantee structure between the Zomba Records Limited group and the group's bankers. At 31 December 2002 the net borrowings under these arrangements were £nil (2001 - £nil).

12 Ultimate parent company and controlling party

The ultimate parent company and controlling party is Bertelsmann AG, incorporated in Germany. Copies of the accounts of that company can be obtained from Carl Bertelsmann Strasse 270, 33311 Guetersloh 1, Germany.