

**COOMBE MUSIC INTERNATIONAL
LIMITED**

Report and Financial Statements

31 December 2000

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000. The financial statements have been prepared on a going concern basis and applicable accounting standards followed.

The directors are required by company law to prepare financial statements for each financial period 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 the financial statements, suitable accounting policies must be used and applied consistently, and such judgements and estimates as are made must be reasonable and prudent. The auditors are required to form an independent opinion on the financial statements prepared by the directors and report that independent opinion to the members.

The directors are also responsible for keeping proper accounting records, safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS DEVELOPMENTS

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 £25,218 (1999 – loss of £20,529). The financial position of the company at the end of the year is set out on page 4.

DIVIDENDS

The directors do not propose the payment of a dividend (1999 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

C.I. Calder

D.N. Howe

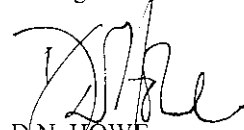
J.L. Dobinson

No director had any beneficial interests in the ordinary shares of the company or any other group company at any time during either year. D.N. Howe held one share in Zomba Records Limited as a nominee in both years.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company will be proposed at the forthcoming Annual General Meeting.

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



D.N. HOWE
Secretary

18 May 2001

COOMBE MUSIC INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 3 to 7 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

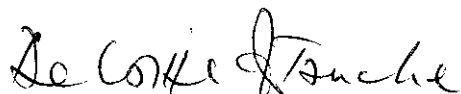
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and
Registered Auditors

22 May 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER	1(b)	3,249	10,507
Cost of sales		(65)	(266)
Gross profit		3,184	10,241
Administrative expenses		(39,299)	(39,793)
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(36,115)	(29,552)
Tax credit on loss on ordinary activities	4	10,897	9,023
LOSS FOR THE FINANCIAL YEAR		(25,218)	(20,529)
Profit and loss account brought forward		(268,728)	(248,199)
Profit and loss account carried forward		(293,946)	(268,728)

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.

Further, there have been no movements in shareholders' funds in either year other than the results reported above. Accordingly, no reconciliation of movement in shareholders' funds is included in these accounts.

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

BALANCE SHEET

31 December 2000

	Note	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	5		92,785		109,808
CURRENT ASSETS					
Debtors	6	24,269		11,166	
Cash at bank and in hand		-		13,214	
		24,269		24,380	
CREDITORS: amounts falling due within one year	7	(10,900)		(2,816)	
NET CURRENT ASSETS			13,369		21,564
TOTAL ASSETS LESS CURRENT LIABILITIES			106,154		131,372
CREDITORS: amounts falling due after more than one year	8		(400,000)		(400,000)
			(293,846)		(268,628)
CAPITAL RESERVES					
Called up share capital	9		100		100
Profit and loss account			(293,946)		(268,728)
EQUITY SHAREHOLDERS' DEFICIT			(293,846)		(268,628)

These financial statements were approved by the Board of Directors on 18 May 2001.

Signed on behalf of the Board of Directors



D. N. HOWE

Director

NOTES TO THE ACCOUNTS**Year ended 31 December 2000****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Turnover

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

The directors are of the opinion that no part of the company's worldwide market is substantially different from any other and therefore a geographical analysis of turnover is not disclosed.

(c) 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	seven years
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(d) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

2. DIRECTORS AND EMPLOYEES

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

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £	1999 £
The loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit fees	2,200	1,750
Depreciation of owned assets	29,898	30,609
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2000 £	1999 £
Group relief receivable at 30% (1999 – 30.26%)	10,897	9,023

5. TANGIBLE FIXED ASSETS

	Catalogue masters £
Cost	
At 1 January 2000	881,836
Additions	12,875
At 31 December 2000	894,711
Depreciation	
At 1 January 2000	772,028
Charge for the year	29,898
At 31 December 2000	801,926
Net book value	
At 31 December 2000	92,785
At 31 December 1999	109,808

6. DEBTORS

	2000 £	1999 £
Other debtors	984	399
Group relief receivable	22,091	8,897
Prepayments and accrued income	1,194	1,870
	24,269	11,166

All amounts are due within one year.

NOTES TO THE ACCOUNTS**Year ended 31 December 2000****7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Bank overdraft	5,359	-
Trade creditors	2,791	441
Accruals	2,750	2,375
	<u>10,900</u>	<u>2,816</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Amounts owed to parent company	<u>400,000</u>	<u>400,000</u>

The loan is unsecured and is interest free.

9. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. 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 2000 the net borrowings under these arrangements were £nil (1999 - £nil).

11. RELATED PARTY TRANSACTIONS

- a) During the year the company entered into the following transactions with related parties:
- Royalties receivable from overseas licensees which are subsidiaries of the ultimate parent company totalling £3,249 (1999 - £10,507). The principal licensee involved was Zomba Record Holdings BV.
- b) At 31 December 2000 there were no material amounts owed by or to fellow subsidiaries of the ultimate parent company (1999 - £nil).
- c) In accordance with Section 3(c) of Financial Reporting Standard No 8 Related Party Disclosures, transactions with fellow members of the Zomba Records Limited group have not been disclosed.

12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The directors regard Summer Shore NV, a company incorporated in the Netherlands Antilles, as the ultimate parent company and controlling party.

The company is a subsidiary of Zomba Records Limited, a company registered in England and Wales. Copies of the group financial statements of Zomba Records Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.