

**COOMBE MUSIC INTERNATIONAL
LIMITED**

Report and Financial Statements

31 December 2001



**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 2001. The financial statements have been prepared on a going concern basis and applicable accounting standards followed.

The directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 directors are also responsible for keeping proper accounting records, the system of internal control, 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 £19,699 (2000 – £25,218). 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 (2000 – £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

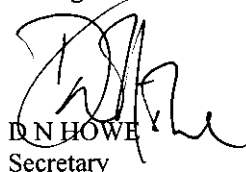
C I Calder
D N Howe
J L Dobinson

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

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

24 April 2002

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 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

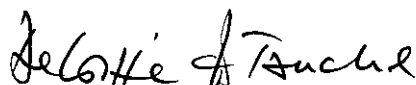
Basis of audit opinion

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

24 April 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER	1(b)	6,037	3,249
Cost of sales		-	(65)
Gross profit		6,037	3,184
Administrative expenses		(34,246)	(39,299)
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(28,209)	(36,115)
Tax credit on loss on ordinary activities	4	8,510	10,897
LOSS FOR THE FINANCIAL YEAR		(19,699)	(25,218)
Profit and loss account brought forward		(293,946)	(268,728)
Profit and loss account carried forward		(313,645)	(293,946)

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.

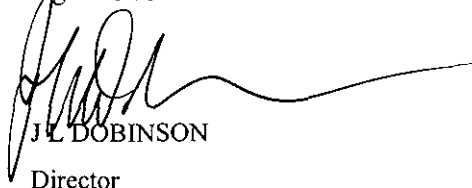
The turnover and operating result for the year derive from continuing operations.

BALANCE SHEET
31 December 2001

	Note	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible assets	5		77,985		92,785
CURRENT ASSETS					
Debtors	6	22,313		24,269	
		22,313		24,269	
CREDITORS: amounts falling due within one year	7	(13,843)		(10,900)	
NET CURRENT ASSETS			8,470		13,369
TOTAL ASSETS LESS CURRENT LIABILITIES			86,455		106,154
CREDITORS: amounts falling due after more than one year	8		(400,000)		(400,000)
			(313,545)		(293,846)
CAPITAL RESERVES					
Called up share capital	9		100		100
Profit and loss account			(313,645)		(293,946)
EQUITY SHAREHOLDERS' DEFICIT			(313,545)		(293,846)

These financial statements were approved by the Board of Directors on 24 April 2002.

Signed on behalf of the Board of Directors


J.L. DOBINSON
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

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

	2001 £	2000 £
The loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit fees	2,100	2,200
Depreciation of owned assets	26,000	29,898
	<u>28,100</u>	<u>32,098</u>

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2001 £	2000 £
Group relief receivable at 30% (2000 - 30%)	<u>8,510</u>	<u>10,897</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

5. TANGIBLE FIXED ASSETS

	Catalogue masters £
Cost	
At 1 January 2001	894,711
Additions	11,200
At 31 December 2001	905,911
Depreciation	
At 1 January 2001	801,926
Charge for the year	26,000
At 31 December 2001	827,926
Net book value	
At 31 December 2001	77,985
At 31 December 2000	92,785

6. DEBTORS

	2001 £	2000 £
Trade debtors	2,350	-
Other debtors	556	984
Group relief receivable	19,407	22,091
Prepayments and accrued income	-	1,194
	22,313	24,269

All amounts are due within one year.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	9,822	5,359
Trade creditors	1,646	2,791
Accruals	2,375	2,750
	13,843	10,900

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

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

	2001 £	2000 £
Amounts owed to parent company	400,000	400,000

The loan is unsecured and is interest free.

9. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100

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 2001 the net borrowings under these arrangements were £nil (2000 – £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 £4,037 (2000 – £3,249). The principal licensee involved was Zomba Record Holdings BV.
- b) At 31 December 2001 there were no material amounts owed by or to fellow subsidiaries of the ultimate parent company (2000 – £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 incorporated in Great Britain. Copies of the group financial statements of Zomba Records Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.