

**WARNER/CHAPPELL MUSIC LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**30TH SEPTEMBER 2004**



**Registered in England No. 488466**

**WARNER/CHAPPELL MUSIC LIMITED**

**Registered No. 488466**

**DIRECTORS**

R Manners  
M Lavin  
A D Russell  
E Pierson  
J Dyball

**SECRETARY**

Olswang Cosec Limited

**AUDITORS**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**BANKERS**

Barclays Bank PLC  
8/9 Hanover Square  
London W1A 4ZW

**REGISTERED OFFICE**

Seventh floor  
90 High Holborn  
London  
WC1V 6XX

**WARNER/CHAPPELL MUSIC LIMITED**

**REPORT OF THE DIRECTORS**

The directors present their report and financial statements for the period ended 30th September 2004.

**RESULTS AND DIVIDENDS**

The profit for the period, after taxation, amounted to £6,624,999 (2003 loss – £24,642,583). The directors do not recommend the payment of a final ordinary dividend (2003 - £nil).

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity during the period continued to be music publishing.

**FUTURE DEVELOPMENTS**

No change in the company's operations is envisaged in the foreseeable future.

**DIRECTORS AND THEIR INTERESTS**

The directors during the period ended 30th September 2004 were as listed on page 1.

At no time during the period did any director have any interest in the shares or debentures of the company or any other group undertaking. On 1 March 2004, B Jones resigned as company secretary and J Dyball was appointed in her place. On 1 July 2004, J Dyball resigned as company secretary and Olswang Cossec Limited was appointed in her place.

**CHARITABLE CONTRIBUTIONS**

During the period a total of £863 (2003 - £4,490) was paid to charitable institutions.

**CHANGE IN ULTIMATE PARENT UNDERTAKING**

On 1 March 2004 Time Warner Inc., the company's ultimate parent undertaking, announced the sale of its Warner Music Group to an investor group for approximately \$2.6 billion on a debt-free basis. The investor group is led by Thomas H. Lee Partners, Edgar Bronfman Jr.'s Lexa Partners, Bain Capital and Providence Equity Partners. The ultimate parent undertaking is now WMG Acquisition Corp Inc.


**POST BALANCE SHEET EVENT**

On 31 May 2005 the company sold a subsidiary company, International Music Publications Limited, to Alfred Publishing Co, Inc.

**AUDITORS**

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD**



M A LAVIN  
Director

Dated: 28 October 2005

## **WARNER/CHAPPELL MUSIC LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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 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; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF WARNER/CHAPPELL MUSIC LIMITED

We have audited the company's financial statements for the period ended 30 September 2004 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 24. These financial statements have been prepared on the basis of 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 auditors' 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, 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 legal and regulatory requirements and United Kingdom 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 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

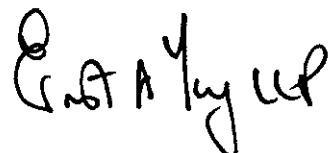
#### Basis of audit opinion

We conducted our audit in accordance with 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 affairs of the company as at 30th September 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG LLP  
Registered Auditor  
London

Dated: 31st October  
2005

**WARNER/CHAPPELL MUSIC LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED 30TH SEPTEMBER 2004**

	Notes	10 months to 30 September 2004 £	2003 £
<b>TURNOVER</b>	2	51,645,026	59,938,774
Cost of sales		(42,621,417)	(49,162,421)
		<hr/>	<hr/>
Gross profit		9,023,609	10,776,353
Administrative expenses		(4,915,965)	(6,733,878)
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	4,107,644	4,042,475
Investment income	6	2,641	11,943
Interest receivable	7	807,956	610,159
Interest payable	8	(286,589)	(305,046)
Non-operating exceptional item	9	3,406,436	(27,705,114)
		<hr/>	<hr/>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		8,038,088	(23,345,583)
Tax charge on profit/(loss) on ordinary activities	10	(1,413,089)	(1,297,000)
		<hr/>	<hr/>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		6,624,999	(24,642,583)
Retained (loss)/profit at beginning of the year	20	(13,195,243)	11,447,340
		<hr/>	<hr/>
Retained profit/(loss) at end of period	20	(6,570,244)	(13,195,243)
		<hr/> <hr/>	<hr/> <hr/>

All activities are continuing.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There are no gains or losses other than those stated in the profit and loss account.

**WARNER/CHAPPELL MUSIC LIMITED**  
**BALANCE SHEET AT 30TH SEPTEMBER 2004**

	Notes	30 September 2004 £	30 November 2003 £
<b>FIXED ASSETS</b>			
Intangible assets	11	1,527,447	1,455,188
Tangible assets	12	724,448	862,160
Investments	13	1,133,484	1,133,484
		<hr/>	<hr/>
		3,385,379	3,450,832
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	14	23,429,845	21,988,935
Cash		5,127,558	7,381,397
		<hr/>	<hr/>
		28,557,403	29,370,332
		<hr/>	<hr/>
<b>CREDITORS: amounts falling due within one year</b>	15	(38,262,926)	(45,772,514)
<b>PROVISIONS FOR LIABILITIES &amp; CHARGES</b>	16	(250,000)	(243,793)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(9,955,523)	(16,645,975)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(6,570,144)</u>	<u>(13,195,143)</u>
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Equity share capital	19	100	100
Profit and loss account	20	(6,570,244)	(13,195,243)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	20	<u>(6,570,144)</u>	<u>(13,195,143)</u>

Munam A. G.  
Director

28 October 2005

NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

*Accounting convention*

The financial statements are prepared under the historical cost convention, on a going concern basis and in accordance with applicable accounting standards, the validity of which is dependent on the continued financial support of the parent undertaking. The directors of the ultimate parent undertaking have indicated that support will be made available to the company to meet its debts for the foreseeable future.

During the year the company changed its year end to 30 September.

*Royalty advances*

Advances in respect of royalties payable, which are non-returnable, comprise advances to songwriters under contract. Specific provisions are made against these advances where the balance outstanding exceeds anticipated future royalty earnings.

*Royalty income and expense*

Credit is taken for royalty income which has been received from users prior to the year end. Royalty expense is accrued based on the expected royalties payable on income received.

*Depreciation*

The company provides depreciation at rates which are calculated to write off the cost of the tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Furniture and equipment - various rates between 10% and 33%  
Motor vehicles - 25%  
Leasehold improvements - over the period of the lease

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

*Intangible fixed assets: music copyrights*

Purchased music copyrights are capitalised and amortised by equal annual instalments over the period that is expected to recover the initial cost based on projected average annual income, but not exceeding 20 years.

The carrying values of intangible fixed assets are reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Copyrights relating to plays and theatre are written off on acquisition.

*Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax balances are not discounted.



NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004  
(Continued)

1. ACCOUNTING POLICIES (continued)

*Foreign currencies*

Transactions in foreign currencies are reported at the approximate rates of exchange ruling at the date on which they took place. Assets and liabilities in foreign currencies are translated at the year-end exchange rate. All differences are taken to the profit and loss account.

*Investments*

Investments are stated at cost less amounts provided for a permanent impairment in value.

*Leasing commitments*

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

*Pensions*

The company is a member of the Time Warner UK Pension Plan which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

*Joint Ventures*

Income from joint ventures is recognised in the company's profit and loss account on the basis of dividends received and receivable. The investments in joint ventures are carried at cost less amounts provided.

*Group financial statements*

In accordance with the company's exemption under Section 228 of the Companies Act, group financial statements have not been prepared since, at 30 September 2004 and for the entire financial year, the company was a wholly-owned subsidiary undertaking of WMG Acquisition (UK) Limited, registered in England and Wales, which prepares group financial statements. The financial statements present information as to the company as an individual undertaking and not as to the group.

*Related parties*

The company has taken advantage of the exemption in FRS 8 not to disclose details of transactions between wholly-owned group undertakings.

*Cash flow statement*

The company has taken advantage of the exemption in the Financial Reporting Standard No.1 Revised (FRS1). A cash flow statement has not been prepared because as at the year end, the company was a wholly owned subsidiary undertaking of WMG Acquisition Corp Inc., a company incorporated in the United States of America, which prepares a group cash flow statement.

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**  
(Continued)

**2. TURNOVER**

Turnover represents royalties received and is attributable to one continuing activity - music publishing. The geographical areas to which turnover relates are as follows:

	<b>10 months to 30 September 2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
United Kingdom	29,162,040	34,596,741
Rest of world	22,482,986	25,342,033
	<u>51,645,026</u>	<u>59,938,774</u>

**3. OPERATING PROFIT**

	<b>10 months to 30 September 2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
This is stated after charging/(crediting):		
Auditors' remuneration - audit work	55,160	52,405
- non audit work	-	(16,591)
Depreciation	122,147	187,355
Amortisation of copyrights	255,241	312,388
(Gain)/loss on foreign exchange	(57)	556,820
Operating lease rentals - land and buildings	485,000	582,000
Restructuring charges	1,025,671	-
Property lease provision (see Note 16)	250,000	-
	<u>=====</u>	<u>=====</u>

**4. DIRECTORS' REMUNERATION**

	<b>10 months to 30 September 2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Total: Emoluments	816,027	845,912
Pension contributions	51,788	59,921
<b>Highest paid director:</b>		
Emoluments	514,917	543,846
Pension contributions	25,477	30,572
	<u>=====</u>	<u>=====</u>
	<b>No.</b>	<b>No.</b>
Directors participating in defined benefit pension schemes:	2	2
	<u>=====</u>	<u>=====</u>

The highest paid director's accrued pension entitlement at 30th September 2004 was £nil (30<sup>th</sup> November 2003 - £nil), as all pension contributions made are to an external defined contribution plan.

Number of directors exercising share options during the period was Nil (2003 - Nil).

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**  
(Continued)

**5. STAFF COSTS**

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
Wages and salaries	1,998,780	2,946,190
Social security costs	232,550	297,289
Other pension costs	155,740	199,686
Redundancy payments	318,887	30,721
	<u>2,705,957</u>	<u>3,473,886</u>

The average weekly number of employees during the period was made up as follows:

	<b>2004 No.</b>	<b>2003 No.</b>
Commercial and administrative	<u>52</u>	<u>62</u>

**6. INVESTMENT INCOME**

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
Dividend receivable from group undertaking	<u>2,641</u>	<u>11,943</u>

**7. INTEREST RECEIVABLE**

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
Bank and other interest	158,502	547,864
Interest receivable from subsidiary undertaking	649,454	62,295
	<u>807,956</u>	<u>610,159</u>

**8. INTEREST PAYABLE**

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
Interest payable to group undertaking	(283,869)	(304,188)
Other interest	(2,720)	(858)
	<u>(286,589)</u>	<u>(305,046)</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**  
(Continued)

**9. NON-OPERATING EXCEPTIONAL ITEM**

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
Provision against loan to subsidiary undertaking	3,406,436	(17,000,000)
Provision against amounts due from group undertaking	-	(10,705,114)
	<u>3,406,436</u>	<u>(27,705,114)</u>

The provision reversal during the year represents the amount now recoverable from a trading subsidiary that was sold in May 2005.

**10. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
a) The charge based on the results for the period is as follows:		
<u>Taxation based on the profit for the period</u>		
Corporation tax at 30% (2003 – 30%)	639,431	882,000
Double taxation relief	(639,431)	(619,000)
Group relief payments	796,000	401,000
Over provision for prior years	(342)	(35,000)
Overseas taxation suffered	639,431	619,000
Total Current Tax Charge	<u>1,435,089</u>	<u>1,248,000</u>
<u>Deferred tax</u>		
Timing differences, origination and reversal	(22,000)	49,000
Total deferred tax	<u>(22,000)</u>	<u>49,000</u>
Tax on Profit on Ordinary Activities	<u>1,413,089</u>	<u>1,297,000</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**  
(Continued)

**10. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)**

**b) Circumstances affecting current charge**

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2003 - 30%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below.

	<b>10 months to 30 September 2004 £</b>	<b>2003 £</b>
Profit/(loss) on Ordinary activities before tax	8,038,088	(23,345,583)
Tax on profit/(loss) on ordinary activities at standard rate	2,411,426	(7,003,675)
Factors affecting charge:-		
Disallowable expenses & non taxable income	(996,000)	8,348,000
Capital allowances less than/(in excess) of depreciation	24,000	(49,000)
Profit on disposal of assets not allowable	-	(4,000)
Non taxable income	(1,000)	(4,000)
Timing differences	(3,000)	(4,000)
Tax overprovided in previous years	(342)	(35,000)
Other	5	(325)
Total Current Tax (note a above)	<u>1,435,089</u>	<u>1,248,000</u>

**c) Deferred Tax**

The deferred tax included in the balance sheet is as follows:

Included in debtors	<u>(150,000)</u>	<u>(128,000)</u>
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Deferred taxation provided in the financial statements is as follows:

Accelerated capital allowances	(135,000)	(111,000)
Other timing differences	(15,000)	(17,000)
Provision for deferred tax	<u>(150,000)</u>	<u>(128,000)</u>

**Analysis of Movement in provision**

At 1 December 2003	(128,000)
Credit for the period	(22,000)
At 30 September 2004	<u>(150,000)</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**  
(Continued)

**11. INTANGIBLE FIXED ASSETS**

	<b>Copyrights £</b>
Cost:	
At 1st December 2003	3,472,289
Additions	500,000
Disposals	(230,000)
	<u>3,742,289</u>
Amortisation:	
At 1st December 2003	2,017,101
Provided during the period	255,241
Disposals	(57,500)
	<u>2,214,842</u>
Net book values:	
At 30th September 2004	<u>1,527,447</u>
At 1st December 2003	<u>1,455,188</u>

**12. TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements £</b>	<b>Motor vehicles £</b>	<b>Furniture and equipment £</b>	<b>Total £</b>
Cost:				
At 1st December 2003	733,945	96,653	948,031	1,778,629
Additions	-	-	8,447	8,447
Disposals	-	(55,136)	(9,641)	(64,777)
	<u>733,945</u>	<u>41,517</u>	<u>946,837</u>	<u>1,722,299</u>
At 30th September 2004	<u>733,945</u>	<u>41,517</u>	<u>946,837</u>	<u>1,722,299</u>
Accumulated depreciation:				
At 1st December 2003	217,111	45,592	653,766	916,469
Provided during the period	49,286	13,683	59,178	122,147
Disposals	-	(31,124)	(9,641)	(40,765)
	<u>266,397</u>	<u>28,151</u>	<u>703,303</u>	<u>997,851</u>
At 30th September 2004	<u>266,397</u>	<u>28,151</u>	<u>703,303</u>	<u>997,851</u>
Net book values:				
At 30th September 2004	<u>467,548</u>	<u>13,366</u>	<u>243,534</u>	<u>724,448</u>
At 1st December 2003	<u>516,834</u>	<u>51,061</u>	<u>294,265</u>	<u>862,160</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004  
(Continued)**

**13. INVESTMENTS**

The cost of investments held at 30th September 2004 was as follows:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Investments in subsidiary undertakings	1,116,899	1,116,899
Investment in joint venture	50	50
Listed investments	16,535	16,535
	<hr/>	<hr/>
	1,133,484	1,133,484
	<hr/>	<hr/>

**(a) Kirshner-Warner Bros Music Limited**

The company owns 50% of the issued ordinary share capital of Kirshner-Warner Bros Music Limited, a music publishing company registered in England and Wales.

	<b>£</b>
Kirshner-Warner Bros Music Limited:	
Balance at 1st December 2003 and	
30th September 2004 at cost	50
	<hr/>

The following information is relevant in respect of Kirshner-Warner Bros Music Limited for the period ended 30th September 2004:

	<b>£</b>
Aggregate amount of capital and reserves	100
	<hr/>
Profit for the period after tax	22,552
	<hr/>

During the period, the company received dividends of £Nil (2003 - £11,943) from its joint venture, Kirshner-Warner Bros Music Limited. At 30th September 2004, Kirshner-Warner Bros Music Limited owed the company £46,934 (2003 - £39,455).

During the period, the company also received income of £2,500 (2003 - £2,500) for royalty administration and other accounting functions performed on behalf of its joint venture, Kirshner-Warner Bros Music Limited.

In the opinion of the directors, the value of the investment in Kirshner-Warner Bros Music Limited, including amounts owed by Kirshner-Warner Bros Music Limited to the company, is not less than the amount at which the investment is included in the financial statements.

**(b) International Music Publications Limited**

The company owns 100% of the issued ordinary share capital of International Music Publications Limited, a publishing rights exploitation company registered in England and Wales.

	<b>£</b>
International Music Publications Limited:	
Balance at 1st December 2003 and	
30th September 2004 at cost	100
	<hr/>

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004  
(Continued)

13. INVESTMENTS (continued)

(b) International Music Publications Limited (continued)

In the opinion of the directors, the value of the investment in International Music Publications Limited, including amounts owed by International Music Publications Limited to the company, is not less than the amount at which the investment is included in the financial statements.

(c) Glissando Music Limited

The company owns 100% of the issued share capital of Glissando Music Limited, a music publishing company registered in England and Wales.

	£
Balance at 1st December 2003 and 30th September 2004 at cost	634,700
	<u>          </u>

In the opinion of the directors, the value of the investment in Glissando Music Limited, including amounts owed by Glissando Music Limited to the company, is not less than the amount at which the investment is included in the financial statements.

(d) Dizzy Heights Music Publishing Limited

The company owns 100% of the issued share capital of Dizzy Heights Music Publishing Limited, a music publishing company registered in England and Wales.

	£
Balance at 1st December 2003 and 30th September 2004 at cost	482,099
	<u>          </u>

In the opinion of the directors, the value of the investment in Dizzy Heights Music Publishing Limited, including amounts owed by Dizzy Heights Music Publishing Limited to the company, is not less than the amount at which the investment is included in the financial statements.

(e) Warner Chappell Music Publishing Limited

The company owns 100% of the issued ordinary share capital of Warner Chappell Music Publishing Limited, a music publishing company registered in England and Wales. The investment is carried at £nil.

(f) Warner Chappell UK Limited

The company owns 100% of the issued ordinary share capital of Warner Chappell UK Limited, a music publishing company registered in England and Wales. The investment is carried at £nil.

(g) Magnet Music Limited

The company owns 100% of the issued ordinary share capital of Magnet Music Limited, a music publishing company registered in England and Wales. The investment is carried at £nil.

(h) Listed Investments

The listed investments are all listed in Great Britain.

The market value of the investments at 30th September 2004 was £28,495 (30th November 2003 - £27,672).



**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**

**(Continued)**

**14. DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Royalty advances	18,177,498	21,515,591
Trade debtors	74,502	40,913
Owed by subsidiary undertaking	3,907,731	-
Owed by group undertakings	215,732	180,256
Prepayments	247,170	124,175
VAT	220,049	-
Corporation tax receivable	437,163	-
Deferred tax	150,000	128,000
	<u>23,429,845</u>	<u>21,988,935</u>

**15. CREDITORS: amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade creditors	20,231,644	26,376,253
Due to subsidiary undertaking	146,735	115,876
Due to group undertakings	16,217,334	17,510,373
Other creditors	109,912	82,086
Accruals	606,473	750,600
VAT	-	426,200
Corporation tax payable	-	104,179
Group relief payable	875,000	322,000
Other taxes and social security costs	75,828	84,947
	<u>38,262,926</u>	<u>45,772,514</u>

**16. PROVISIONS FOR LIABILITIES & CHARGES**

Short term property provisions:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
At 1 December 2003	243,793	525,447
Utilisation	(243,793)	-
Additions/(reversals)	250,000	(281,654)
At 30 September 2004	<u>250,000</u>	<u>243,793</u>

The short term property provision is the future rent expense and related costs of leasehold property that Warner/Chappell Music Limited acts as guarantor for. The guarantee was a condition of the sale of a division of a subsidiary company that occupied the premises. The current occupiers of the property have vacated due to insolvency, making Warner/Chappell Music Limited liable for the rent and related costs.

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004**  
(Continued)

**17. CAPITAL COMMITMENTS**

The company is contracted to pay advances to songwriters in the normal course of business. The payment of these advances is dependent upon the fulfilment of certain contract requirements. Accordingly, it is not practicable to quantify the future commitments that may crystallise. Apart from advances, there are no other capital commitments.

**18. OPERATING LEASE COMMITMENTS**

	<b>Land and buildings</b>	
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Leases in the name of the company		
Operating leases which expire:		
in the following year	-	-
in second to fifth years inclusive	-	-
in over five years	582,000	582,000
	<u>582,000</u>	<u>582,000</u>

**19. SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
50 'A' ordinary shares of £1 each	50	50	50	50
50 'B' ordinary shares of £1 each	50	50	50	50
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The 'A' and 'B' Ordinary £1 shares rank pari passu and have the same voting rights and entitlement to dividends

**20. RECONCILIATION OF SHAREHOLDERS' DEFICIT**

	<b>Share Capital</b>	<b>Profit and loss Account</b>	<b>Total Shareholders' Funds</b>
At 01 December 2003	100	(13,195,243)	(13,195,143)
Profit for the period	-	6,624,999	6,624,999
At 30 September 2004	<u>100</u>	<u>(6,570,244)</u>	<u>(6,570,144)</u>

**21. CONTINGENT LIABILITIES**

The company has entered into a composite accounting agreement with its bankers. The terms of the agreement permit the bankers, without notice, to draw down funds deposited into the system to offset borrowings drawn down from the system by other group members who are also parties to these arrangements. At the balance sheet date, funds deposited by the company into the system, and potentially at risk to cover its own overdraft liability and liabilities elsewhere in the group, amounted to £nil (2003 - £nil).

## **WARNER/CHAPPELL MUSIC LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS AT 30TH SEPTEMBER 2004 (Continued)**

#### **22. PENSIONS**

The company's employees belong to the Time Warner UK Pension Plan, which is a multi-employer defined benefit Plan. The total overall combined contribution rate from employers to the Plan will vary depending on the experience of the Plan and hence the surplus or deficit revealed at actuarial valuations. Following the actuarial valuation as at 5th April 2002 the contribution rate payable by the company has been set based on discussions within the Group so that the total contributions from all employers equal the required funding rate. The contribution rate does not reflect the individual experience of the company's members in isolation as it is not possible to identify accurately or consistently from year to year the share of the assets relating to the company. Consequently the company has accounted for its contributions to the Plan as if it were a defined contribution scheme. The total pensions cost to the company for the period ended 30 September 2004 was £155,740 (2003: £199,686).

Warner/Chappell Music Ltd ceased participation in the scheme on February 28, 2005.

#### **23. PARENT UNDERTAKING AND CONTROLLING PARTY**

Warner Chappell Music Group (UK) Ltd is the company's immediate parent undertaking.

On 30 September 2004 WMG Acquisition (UK) Limited was the parent undertaking of the smallest group of undertakings of which the company was a member and for which group financial statements are drawn up. WMG Acquisition (UK) Limited is registered in England and Wales and copies of its financial statements can be obtained from the registrar of companies in England and Wales.

On 30 September 2004 WMG Acquisition Corp Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company was a member and for which group financial statements are drawn up. Copies of WMG Acquisition Corp Inc.'s financial statements can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.

#### **24. POST BALANCE SHEET EVENT**

On 31 May 2005 the company sold a subsidiary company, International Music Publications Limited, to Alfred Publishing Co, Inc.