

WARNER/CHAPPELL MUSIC LIMITED

REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2010



Registered in England No. 488466

WARNER/CHAPPELL MUSIC LIMITED

Registered No 488466

DIRECTORS

R Manners
M Lavin
J Dyball
W S McDowell
R Booker (appointed 24 November 2010)
C Strang (appointed 31 May 2011)
D Johnson (resigned 31 May 2011)

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 year ended 30 September 2010

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £6,202,622 (2009 – £5,854,096) The directors proposed and paid a dividend of £5,563,000 in the year ended 30 September 2010 (2009 - £10,566,000)

BUSINESS REVIEW

The company's principal activity is music publishing The company's income is generated by the use of musical compositions in which the copyright is either owned or administered by the company

The result of the company for the year ended 30 September 2010 is set out in the Profit and Loss Account on page 7 The position of the company at 30 September 2010 is set out in the Balance Sheet on page 8 Both the result and the position of the company were in line with the expectations of the directors Turnover decreased by 2% in the year, mainly due to a reduction in overseas revenues Operating Profit increased by 29% as the effect of the decrease in revenues and a 10% increase in administrative expenses was more than offset by an improved Gross Profit margin

Given the nature of its business, the company considers there to be no key performance indicators directly relating to environmental issues or employee matters

RISKS AND UNCERTAINTIES

The company is not subject to any specific risks and uncertainties other than those prevalent in the music publishing market in general All risks and uncertainties are regularly monitored by the company's board of directors

FUTURE DEVELOPMENTS

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

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 30 September 2010 were as listed on page 1

At no time during the year did any director have any interest in the shares or debentures of the company or any other group undertaking

WARNER/CHAPPELL MUSIC LIMITED
REPORT OF THE DIRECTORS (Continued)

CHARITABLE CONTRIBUTIONS

During the year a total of £740 (2009 - £740) was paid to charitable institutions

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the Group and company. Ernst & Young LLP have confirmed their willingness to continue in office.

ON BEHALF OF THE BOARD



M A LAVIN
Director

Dated 30 August 2011

WARNER/CHAPPELL MUSIC LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- state whether applicable UK 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 that 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 2006. 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 financial statements of Warner/Chappell Music Limited for the year ended 30 September 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WARNER/CHAPPELL MUSIC LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Philippa Jane Green

Philippa Jane Green (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

Date

31/8/11

WARNER/CHAPPELL MUSIC LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

	Notes	2010 £	2009 £
TURNOVER	2	69,086,924	70,252,418
Cost of sales		(54,020,404)	(57,654,243)
		<hr/>	<hr/>
Gross profit		15,066,520	12,598,175
Administrative expenses		(6,861,301)	(6,237,528)
		<hr/>	<hr/>
OPERATING PROFIT	3	8,205,219	6,360,647
Investment income	6	216,582	516,463
Interest receivable	7	269,305	1,151,781
Interest payable	8	(308,484)	(222,074)
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		8,382,622	7,806,817
Tax charge on profit	9	(2,180,000)	(1,952,721)
		<hr/>	<hr/>
PROFIT AFTER TAXATION		<u>6,202,622</u>	<u>5,854,096</u>

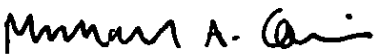
All activities are continuing

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

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

WARNER/CHAPPELL MUSIC LIMITED
BALANCE SHEET AT 30 SEPTEMBER 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Intangible assets	10	595,910	579,047
Tangible assets	11	427,303	415,816
Investments	12	31,227,064	6,076,085
		<hr/>	<hr/>
		32,250,277	7,070,948
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	13	20,668,432	39,796,902
Cash		3,573,561	3,340,278
		<hr/>	<hr/>
		24,241,993	43,137,180
CREDITORS amounts falling due within one year	14	(48,710,122)	(43,065,602)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES) / ASSETS		(24,468,129)	71,578
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,782,148</u>	<u>7,142,526</u>
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Equity share capital	17	100	100
Profit and loss account	18	7,782,048	7,142,426
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	18	<u>7,782,148</u>	<u>7,142,526</u>
		<hr/>	<hr/>


 M A LAVIN
 Director

30 August 2011
 Date

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, 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 UK accounting standards

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 that 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 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

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010

(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 Warner Music Pension Plan, which is a defined contribution plan.

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 400 of the Companies Act 2006, group financial statements have not been prepared since, at 30 September 2010 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 Warner Music Group Corp, 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 30 SEPTEMBER 2010
(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

	2010	2009
	£	£
United Kingdom	37,464,757	37,581,148
Rest of world	31,622,167	32,671,270
	<u>69,086,924</u>	<u>70,252,418</u>

3. OPERATING PROFIT

	2010	2009
	£	£
This is stated after charging/(crediting)		
Auditors' remuneration	76,346	77,442
Depreciation	168,797	101,228
Amortisation of copyrights	154,137	191,784
(Gain)/loss on foreign exchange	(940)	536
Gain on disposal of fixed asset	-	(621)
Operating lease rentals - land and buildings	713,289	730,598
Restructuring charges	-	20,762
	<u>=====</u>	<u>=====</u>

The remuneration of the auditors may be further analysed as follows

Audit work	76,346	77,442
	<u>=====</u>	<u>=====</u>

4. DIRECTORS' REMUNERATION

	2010	2009
	£	£
Total Emoluments	1,120,044	1,164,179
	<u>=====</u>	<u>=====</u>
Pension contributions	67,634	66,734
	<u>=====</u>	<u>=====</u>
Highest paid director:		
Emoluments	590,000	620,000
	<u>=====</u>	<u>=====</u>
Pension contributions	30,554	30,554
	<u>=====</u>	<u>=====</u>
	No	No.
Directors participating in defined contribution pension schemes	3	3
	<u>=====</u>	<u>=====</u>
Directors participating in defined benefit pension schemes	0	0
	<u>=====</u>	<u>=====</u>

The highest paid director's accrued pension entitlement at 30 September 2010 was £nil (30 September 2009 - £nil), as all pension contributions made are to an external defined contribution plan

Number of directors exercising share options during the year was nil (2009 - nil)

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

5 STAFF COSTS

	2010	2009
	£	£
Wages and salaries	4,110,335	3,490,732
Social security costs	452,088	370,869
Other pension costs	160,233	142,007
	<u>4,722,656</u>	<u>4,003,608</u>

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

	2010	2009
	No	No.
Commercial and administrative	<u>60</u>	<u>56</u>

6. INVESTMENT INCOME

	2010	2009
	£	£
Dividends receivable from group undertakings	<u>216,582</u>	<u>516,463</u>

7 INTEREST RECEIVABLE

	2010	2009
	£	£
Bank and other interest	3,446	112,754
Interest receivable from group company	265,859	1,039,027
	<u>269,305</u>	<u>1,151,781</u>

8 INTEREST PAYABLE

	2010	2009
	£	£
Interest payable to group undertaking	(308,422)	(220,760)
Other interest	(62)	(1,314)
	<u>(308,484)</u>	<u>(222,074)</u>

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£	£
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 28% (2009 – 29%)	1,583,000	486,721
Double taxation relief	(667,760)	(486,721)
Group relief payments	1,026,000	1,582,000
Over provision for prior years	(426,000)	(123,000)
Overseas taxation suffered	667,760	486,721
Total Current Tax Charge	<u>2,183,000</u>	<u>1,945,721</u>
<u>Deferred tax</u>		
Timing differences, origination and reversal	(3,000)	7,000
Total deferred tax	<u>(3,000)</u>	<u>7,000</u>
Tax on Profit on Ordinary Activities	<u>2,180,000</u>	<u>1,952,721</u>

b) Circumstances affecting current charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 28% (2009 - 28%) The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	2010	2009
	£	£
Profit on ordinary activities before tax	<u>8,382,622</u>	<u>7,806,817</u>
Tax on profit on ordinary activities at standard rate	2,347,134	2,185,909
Factors affecting charge -		
Disallowable expenses & non taxable income	261,000	33,000
Capital allowances in excess of depreciation	-	(7,000)
UK dividend income	(60,000)	(144,610)
Tax overprovided in previous years	(426,000)	(123,000)
Group Relief surrendered for nil consideration	61,000	-
Other timing differences	(134)	1,422
Total Current Tax (note a above)	<u>2,183,000</u>	<u>1,945,721</u>

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

c) Deferred Tax

The deferred tax included in the balance sheet is as follows

	2010	2009
	£	£
Included in debtors	(63,000)	(60,000)

Deferred taxation provided in the financial statements is as follows

Depreciation in excess of capital allowances	(33,000)	(28,000)
Other timing differences	(30,000)	(32,000)
Provision for deferred tax	(63,000)	(60,000)

Analysis of Movement in provision

At 1 October 2009	(60,000)
Charged to profit and loss account	(3,000)
At 30 September 2010	(63,000)

10 INTANGIBLE FIXED ASSETS

	Copyrights
	£
Cost	
At 1 October 2009	3,960,289
Additions	171,000
At 30 September 2010	4,131,289
Amortisation	
At 1 October 2009	3,381,242
Provided during the period	154,137
At 30 September 2010	3,535,379
Net book values	
At 30 September 2010	595,910
At 1 October 2009	579,047

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Motor vehicles £	Furniture and equipment £	Total £
Cost				
At 1 October 2009	796,562	-	1,152,612	1,949,174
Additions	693	-	179,591	180,284
Disposals	(43,163)	-	(805,499)	(848,662)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2010	754,092	-	526,704	1,280,796
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 October 2009	580,823	-	952,535	1,533,358
Provided during the period	64,950	-	103,847	168,797
Disposals	(43,163)	-	(805,499)	(848,662)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2010	602,610	-	250,883	853,493
	<hr/>	<hr/>	<hr/>	<hr/>
Net book values				
At 30 September 2010	151,482	-	275,821	427,303
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 October 2009	215,739	-	200,077	415,816
	<hr/>	<hr/>	<hr/>	<hr/>

12. INVESTMENTS

The cost of investments held at 30 September 2010 was as follows

	2010 £	2009 £
Investments in subsidiary undertakings	31,220,979	6,070,000
Investment in joint venture	50	50
Listed investments	6,035	6,035
	<hr/>	<hr/>
	31,227,064	6,076,085
	<hr/>	<hr/>

Movement in Investments in the year ended 30 September 2010 were as follows

	Note	£
Balance at 1 October 2009		6,076,085
Additions		
Warner/Chappell Music International Limited	(i)	12,923,000
Bubbles Music Limited	(j)	1
FFRR Music Limited	(k)	487,000
Warner Music Property Limited	(l)	11,300,000
Warner/Chappell MLM Limited	(m)	689
Warner/Chappell TM Limited	(n)	440,289
		<hr/>
Balance at 30 September 2010		31,227,064

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

12 INVESTMENTS (continued)

(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

	£
Kirshner-Warner Bros Music Limited	
Balance at 1 October 2009 and 30 September 2010 at cost	50

The following information is relevant in respect of Kirshner-Warner Bros Music Limited for the year ended 30 September 2010

	£
Aggregate amount of capital and reserves	100
Profit for the year after tax	55,663

During the period, the company received dividends of £nil (2009 £32,146) from its joint venture, Kirshner-Warner Bros Music Limited. At 30 September 2010, Kirshner-Warner Bros Music Limited owed the company £136,291 (2009 £45,357)

During the year, the company also received income of £2,500 (2009 £2,500) for royalty administration and other accounting functions performed, and income of £1,000 (2009 £1,000) as a contribution to auditors' fees, from 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) 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 1 October 2009 and 30 September 2010 at cost	634,700

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

(c) 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 October 2009 and 30th September 2010 at cost	482,099

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

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010

(Continued)

12. INVESTMENTS (continued)

(d) 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.

(e) 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.

(f) 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.

(g) NVC Ltd

The company owns 100% of the issued share capital of NVC Limited, a company registered in England and Wales.

£

Balance at 1 October 2009 and 30 September 2010 at cost

4,953,200

=====

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

(h) Warner/Chappell Library Music Limited

The company owns 100% of the issued ordinary share capital of Warner Chappell Library Music Limited, a music publishing company registered in England and Wales. The investment is carried at £1.

(i) Warner/Chappell Music International Limited

The company owns 100% of the issued ordinary share capital of Warner Chappell Music International Limited, a music publishing company registered in England and Wales. The investment is carried at £12,923,000.

(j) Bubbles Music Limited

The company owns 100% of the issued ordinary share capital of Bubbles Music Limited, a music publishing company registered in England and Wales. The investment is carried at £1.

(k) FFRR Music Limited

The company owns 100% of the issued ordinary share capital of FFRR Music Limited, a music publishing company registered in England and Wales. The investment is carried at £487,000.

(l) Warner Music Property UK Limited

The company owns 100% of the issued ordinary share capital of Warner Music Property UK Limited, a property holding company registered in England and Wales. The investment is carried at £11,300,000.

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

(m) Warner/Chappell MLM Ltd

The company owns 100% of the issued ordinary share capital of Warner Chappell MLM Limited, a music publishing company registered in England and Wales. The investment is carried at £689.

(n) Warner/Chappell TM Ltd

The company owns 100% of the issued ordinary share capital of Warner Chappell TM Limited, a music publishing company registered in England and Wales. The investment is carried at £440,289.

(o) Listed Investments

The listed investments are all listed in Great Britain.

The market value of the investments at 30 September 2010 was £12,850 (30 September 2009 - £12,966).

13 DEBTORS

	2010	2009
	£	£
Royalty advances	11,114,480	13,264,410
Trade debtors	711,805	242,208
Owed by group undertakings	8,233,215	25,349,036
Prepayments	263,797	264,053
VAT	282,135	617,195
Deferred tax (Note 9 (c))	63,000	60,000
	<u>20,668,432</u>	<u>39,796,902</u>

14. CREDITORS: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	24,315,230	25,767,876
Deferred Income	275,508	830,853
Due to subsidiary undertaking	204,855	174,685
Due to group undertakings	20,595,464	13,111,576
Other creditors	432,835	34,238
Accruals	1,420,260	998,064
Group relief payable	1,315,240	2,040,000
Other taxes and social security costs	150,730	108,310
	<u>48,710,122</u>	<u>43,065,602</u>

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010
(Continued)

15. 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.

16. OPERATING LEASE COMMITMENTS

At 30 September 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2010	2009
	£	£
Leases in the name of the company		
Operating leases which expire		
in the following year	-	-
in second to fifth years inclusive	582,000	582,000
in over five years	-	-
	<u>=====</u>	<u>=====</u>

17. SHARE CAPITAL

		Allotted, called up and fully paid		
	2010	Authorised 2009	2010	2009
	£	£	£	£
50 'A' ordinary shares of £1 each	50	50	50	50
50 'B' ordinary shares of £1 each	50	50	50	50
	—	—	—	—
	100	100	100	100
	—	—	—	—

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

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital	Profit and loss Account	Total Shareholders' Funds
At 1 October 2009	100	7,142,426	7,142,526
Dividends Paid	-	(5,563,000)	(5,563,000)
Profit for the period	-	6,202,622	6,202,622
	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 30 September 2010	100	7,782,048	7,782,148
	<u>=====</u>	<u>=====</u>	<u>=====</u>

WARNER/CHAPPELL MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2010

(Continued)

19. 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 (2009 - £nil).

20. PENSIONS

The Warner Music Pension Plan is a defined contribution plan.

The total pensions cost to the company for the year ended 30 September 2010 was £160,233 (2009 £142,007).

21. PARENT UNDERTAKING AND CONTROLLING PARTY

WMG Acquisition (UK) Ltd is the company's immediate parent undertaking.

On 30 September 2010 Warner Music Group Corp, a company incorporated in the United States of America, was the ultimate parent undertaking and 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. Copies of Warner Music Group Corp's financial statements can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.

On 20 July 2011, Warner Music Group Corp, the company's ultimate parent undertaking, merged with a subsidiary of Access Industries Inc. As a result, from this date, Access Industries Inc, a privately held company incorporated in the United States of America, was the ultimate parent undertaking.