

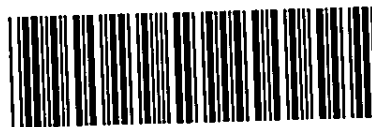
WARNER/CHAPPELL MUSIC LIMITED

REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 2012

COMPANIES HOUSE

THURSDAY



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**WARNER/CHAPPELL MUSIC LIMITED**

**Registered No 488466**

**DIRECTORS**

J R Manners  
M A Lavin  
J Dyball  
W S McDowell  
R Booker  
C Strang

**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 2012

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £7,771,349 (2011 – £7,271,601) The directors proposed and paid a dividend of £4 500,000 in the year ended 30 September 2012 (2011 – £11,350,000)

#### **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 2012 is set out in the Profit and Loss Account on page 7 The position of the company at 30 September 2012 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 4% in the year, following a decrease in both domestic and overseas revenues Operating Profit increased by 12% as a result of a 2% point increase in gross profit margin, along with a 2% reduction in overhead expenditure

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

#### **GOING CONCERN**

The Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company will have adequate resources to continue in existence for the foreseeable future The Company is profit making and in an overall net assets position The Company is part of the Warner Music Group cash pooling arrangement, through which its working capital requirements are adequately covered In addition, the directors are in receipt of a letter of financial support from WMG Acquisition Corp to assist in meeting the Company's liabilities, if required as and when they fall due Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements

#### **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 2012 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 £820 (2011 - £493) 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 13 May 2013

## **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 2012 which comprise the Profit and Loss Account, 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 2012 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

*Ernst & Young LLP*

Philip Young (Senior Statutory Auditor)

for and on behalf of  
Ernst & Young LLP (Statutory Auditor)

1 More London Place  
London  
SE1 2AF

Date *14 May 2013*

**WARNER/CHAPPELL MUSIC LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

	Notes	2012 £	2011 £
<b>TURNOVER</b>	2	67,463,599	70,626,588
Cost of sales		(50,460,487)	(54,517,941)
		<hr/>	<hr/>
Gross profit		17,003,112	16,108,647
Administrative expenses		(7,176,702)	(7,356,471)
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	9,826,410	8,752,176
Investment income	6	1,267,698	1,719,051
Interest receivable	7	8,366	12,972
Interest payable	8	(983,600)	(1,293,235)
		<hr/>	<hr/>
<b>PROFIT BEFORE TAXATION</b>		10,118,874	9,190,964
Tax charge on profit	9	(2,347,525)	(1,919,363)
		<hr/>	<hr/>
<b>PROFIT AFTER TAXATION</b>		<u>7,771,349</u>	<u>7,271,601</u>

All activities are continuing

There are no recognised gains or losses for the current and preceding financial years other than the retained profit shown above. Accordingly no statement of total recognised gains and losses is presented.

**WARNER/CHAPPELL MUSIC LIMITED**  
**BALANCE SHEET AT 30 SEPTEMBER 2012**

	Notes	2012 £	2011 £
<b>FIXED ASSETS</b>			
Intangible assets	10	3,445,419	3,035,813
Tangible assets	11	253,514	357,169
Investments	12	31,227,064	31,227,064
		<hr/>	<hr/>
		34,925,997	34,620,046
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	13	24,542,866	22,566,846
Cash		6,836	156,051
		<hr/>	<hr/>
		24,549,702	22,722,897
		<hr/>	<hr/>
<b>CREDITORS</b> amounts falling due within one year	14	(52,176,601)	(53,639,194)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(27,626,899)	(30,916,297)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,299,098	3,703,749
		<hr/>	<hr/>
<b>PROVISIONS FOR LIABILITIES</b>	15	(324,000)	-
		<hr/>	<hr/>
<b>NET ASSETS</b>		6,975,098	3,703,749
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Equity share capital	18	100	100
Profit and loss account	19	6,974,998	3,703,649
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	6,975,098	3,703,749
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



M A LAVIN  
Director

13 May 2013

Date

The notes on pages 9 to 20 form part of these financial statements

## WARNER/CHAPPELL MUSIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

#### 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 as Warner Music Group Corp has agreed to provide financial support to the company and in accordance with applicable UK accounting standards. Please refer to the Directors' report for the assessment of the going concern basis.

##### *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%  
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.

##### *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 2012**  
**(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 2012 and for the entire financial year, the company was a wholly-owned subsidiary undertaking of Warner Music Group Corp, a company incorporated in the United States of America, 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 2012**  
(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>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
United Kingdom	35,724,769	37,062,540
Rest of world	31,738,830	33,564,048
	<u>67,463,599</u>	<u>70,626,588</u>

**3 OPERATING PROFIT**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
This is stated after charging		
Auditors' remuneration	22,548	37,450
Depreciation	237,696	229,730
Amortisation of copyrights	490,393	338,501
Gain on foreign exchange	(10,696)	(84,274)
Restructuring charges	120,500	267,563
Operating lease rentals - land and buildings	636,641	731,103
	<u>=====</u>	<u>=====</u>

The remuneration of the auditors may be further analysed as follows

Audit work	<u>22,548</u>	<u>37,450</u>
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**4 DIRECTORS' REMUNERATION**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Total Emoluments	<u>1,172,958</u>	<u>1,467,365</u>
Pension contributions	<u>70,019</u>	<u>67,634</u>
<b>Highest paid director.</b>		
Emoluments	<u>595,000</u>	<u>796,012</u>
Pension contributions	<u>30,554</u>	<u>30,554</u>
	<b>No</b>	<b>No.</b>
Directors participating in defined contribution pension schemes	<u>3</u>	<u>3</u>
Directors participating in defined benefit pension schemes	<u>0</u>	<u>0</u>

The highest paid director's accrued pension entitlement at 30 September 2012 was £nil (30 September 2011 - £nil), as all pension contributions made are to an external defined contribution plan

Number of directors exercising share options during the year was nil (2011 - nil)

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012**  
**(Continued)**

**5 STAFF COSTS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	4,302,344	4,555,135
Social security costs	516,587	459,525
Other pension costs	143,100	150,641
	<u>4,962,031</u>	<u>5,165,301</u>

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

	<b>2012</b>	<b>2011</b>
	<b>No</b>	<b>No.</b>
Commercial and administrative	<u>68</u>	<u>63</u>

**6. INVESTMENT INCOME**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Dividends receivable from group undertakings	<u>1,267,698</u>	<u>1,719,051</u>

**7. INTEREST RECEIVABLE**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Bank and other interest	6,435	7,009
Interest receivable from group company	1,931	5,963
	<u>8,366</u>	<u>12,972</u>

**8 INTEREST PAYABLE**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Interest payable to group undertaking	(961,567)	(1,292,206)
Other interest	(22,033)	(1,029)
	<u>(983,600)</u>	<u>(1,293,235)</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012**  
(Continued)

**9 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</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 25% (2011 – 27%)	570,000	2,101,948
Double taxation relief	(450,000)	(596,353)
Group relief payments/(receipts)	1,719,000	(21,000)
Under/(over) provision for prior years	9,000	(124,585)
Overseas taxation suffered	494,525	596,353
Total Current Tax Charge	<u>2,342,525</u>	<u>1,956,363</u>
<u>Deferred tax</u>		
Timing differences origination and reversal	5,000	(37,000)
Total deferred tax	<u>5,000</u>	<u>(37,000)</u>
Tax on Profit on Ordinary Activities	<u>2,347,525</u>	<u>1,919,363</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 25% (2011 - 27%) The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>10,118,874</u>	<u>9,190,964</u>
Tax on profit on ordinary activities at standard rate	2,529,719	2,481,560
Factors affecting charge -		
Disallowable expenses	64,206	45,532
Depreciation in excess of capital allowances	12,000	21,000
Non-taxable income	(316,925)	(464,144)
Tax under/(over) provided in previous years	9,000	(124,585)
Overseas tax suffered	44,525	-
Other timing differences	-	(3,000)
Total Current Tax (note 9(a) above)	<u>2,342,525</u>	<u>1,956,363</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012**  
(Continued)

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

c) Deferred Tax

The deferred tax included in the balance sheet is as follows

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Included in debtors	(95 000)	(100,000)
	=====	=====

Deferred taxation provided in the financial statements is as follows

Depreciation in excess of capital allowances	(69,000)	(72,000)
Other timing differences	(26,000)	(28,000)
Provision for deferred tax	(95,000)	(100,000)
	=====	=====
<u>Analysis of Movement in provision</u>		
At 1 October 2011	(100,000)	
Charged to profit and loss account	5,000	
At 30 September 2012	(95,000)	
	=====	

**10 INTANGIBLE FIXED ASSETS**

	<b>Copyrights</b>
	<b>£</b>
Cost	
At 1 October 2011	6,909,693
Additions	899 999
At 30 September 2012	7,809,692
	-----
Amortisation	
At 1 October 2011	3,873,880
Provided during the period	490,393
At 30 September 2012	4,364,273
	-----
Net book values	
At 30 September 2012	3,445,419
	=====
At 1 October 2011	3,035,813
	=====

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012**  
(Continued)

**11 TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements £</b>	<b>Furniture and equipment £</b>	<b>Total £</b>
Cost			
At 1 October 2011	754,092	686,300	1,440,392
Additions	-	134,041	134,041
Disposals	(220)	(12,970)	(13,190)
	<hr/>	<hr/>	<hr/>
At 30 September 2012	753,872	807,371	1 561,243
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 October 2011	667,689	415,534	1,083,223
Provided during the period	53,697	183,999	237,696
Disposals	(220)	(12,970)	(13,190)
	<hr/>	<hr/>	<hr/>
At 30 September 2012	721,166	586,563	1,307,729
	<hr/>	<hr/>	<hr/>
Net book values			
At 30 September 2012	32,706	220,808	253,514
	<hr/>	<hr/>	<hr/>
At 1 October 2011	86,403	270,766	357,169
	<hr/>	<hr/>	<hr/>

**12 INVESTMENTS**

The cost of investments held at 30 September 2012 was as follows

	<b>2012 £</b>	<b>2011 £</b>
Investments in subsidiary undertakings	31,220,979	31,220,979
Investment in joint venture	50	50
Listed investments	6 035	6,035
	<hr/>	<hr/>
	31,227,064	31,227,064
	<hr/>	<hr/>

# **WARNER/CHAPPELL MUSIC LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012** (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 2011 and 30 September 2012 at cost	50
	=====

The following information is relevant in respect of Kirshner-Warner Bros Music Limited for the year ended 30 September 2012

	£
Aggregate amount of capital and reserves	100
	=====
Profit for the year after tax	35,176
	=====

During the period, the company received dividends of £29,434 (2011 £nil) from its joint venture, Kirshner-Warner Bros Music Limited. At 30 September 2012 the company owed Kirshner-Warner Bros Music Limited £24,215 (2011 £82,640)

During the year, the company also received income of £2,500 (2011 £2,500) for royalty administration and other accounting functions performed, and income of £1,000 (2011 £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 2011 and 30 September 2012 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 2011 and 30th September 2012 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 2012

(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 2011 and 30 September 2012 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 Production Music Limited

The company owns 100% of the issued ordinary share capital of Warner Chappell Production 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 98% 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 90% 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 2012**  
(Continued)

**12 INVESTMENTS (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 2012 was £12,195 (30 September 2011 - £12,277).

**13 DEBTORS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Royalty advances	13,944,825	12,117,768
Trade debtors	742,432	902,776
Owed by group undertakings	8,944,992	8,636,704
Prepayments	270,849	333,851
VAT	544,768	475,747
Deferred tax (Note 9 (c))	95,000	100,000
	<u>24,542,866</u>	<u>22,566,846</u>

**14 CREDITORS, amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade creditors	28,147,745	27,110,325
Deferred income	1,059,167	1,229,931
Due to subsidiary undertaking	25,400	137,390
Due to group undertakings	20,199,481	22,322,691
Other creditors	578,944	164,456
Accruals	1,136,867	1,146,486
Group relief payable	910,279	1,379,279
Other taxes and social security costs	118,718	148,636
	<u>52,176,601</u>	<u>53,639,194</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012**  
(Continued)

**15 PROVISIONS**

	<b>Dilapidations Provision £</b>
At 1 October 2011	-
Charged to profit and loss account	324,000
	<hr/>
At 30 September 2012	324,000
	<hr/> <hr/>

**16 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.

**17 OPERATING LEASE COMMITMENTS**

At 30 September 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings</b>	
	<b>2012</b>	<b>2011</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	605,200	631,000
in over five years	-	-
	<hr/> <hr/>	<hr/> <hr/>

**18. SHARE CAPITAL**

		Authorised	Allotted, called up and fully paid	
	2012	2011	2012	2011
	£	£	£	£
100 ordinary shares of £1 each	100	100	100	100
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012**  
(Continued)

**19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	<b>Share Capital</b>	<b>Profit and loss Account</b>	<b>Total Shareholders' Funds</b>
At 1 October 2011	100	3,703,649	3,703,749
Dividends Paid	-	(4,500,000)	(4,500,000)
Profit for the period	-	7,771,349	7,771,349
At 30 September 2012	<u>100</u>	<u>6,974,998</u>	<u>6,975,098</u>

**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 2012 was £143,100 (2011 £150,641)

**21. PARENT UNDERTAKING AND CONTROLLING PARTY**

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

At 30 September 2012, Ai Entertainment Holdings LLC was the ultimate parent undertaking. Warner Music Group Corp. 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. Copies of Warner Music Group Corp.'s financial statements can be obtained from 1209 Orange Street, Wilmington, DE 19801, USA.