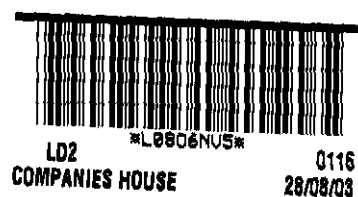


WARNER/CHAPPELL MUSIC LIMITED

REPORT AND FINANCIAL STATEMENTS

30TH NOVEMBER 2002



Registered in England No. 488466

**WARNER/CHAPPELL MUSIC LIMITED**

**Registered No. 488466**

**DIRECTORS**

R Manners  
M Lavin  
A D Russell  
E Pierson  
B W Hitchens (resigned 31 December 2001)  
J Dyball

**SECRETARY**

B Jones

**AUDITORS**

Ernst & Young LLP  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

**BANKERS**

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

**REGISTERED OFFICE**

Interpark House  
7 Down Street  
London  
W1J 7AJ

**WARNER/CHAPPELL MUSIC LIMITED**

**REPORT OF THE DIRECTORS**

The directors present their report and financial statements for the year ended 30th November 2002.

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £2,846,530 (2001 – loss of £876,362). The directors do not recommend the payment of a final ordinary dividend (2001 - £nil).

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity during the year 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 year ended 30th November 2002 were as listed on page 1.

At no time during the year did any director have any interest in shares or debentures of the company or any other UK group undertaking. There has been no movement in directors' interests since 30th November 2002.

**CHARITABLE CONTRIBUTIONS**

During the year a total of £2,756 (2001 - £2,701) was paid to charitable institutions.

**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: 18-8-03

**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 year ended 30 November 2002 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 22. 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 November 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG LLP  
Registered Auditor  
London

Dated: 18/8/03

**WARNER/CHAPPELL MUSIC LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH NOVEMBER 2002**

	Notes	2002 £	2001 (restated) £
<b>TURNOVER</b>	2	61,480,558	59,501,738
Cost of sales		(49,997,586)	(53,654,483)
		<hr/>	<hr/>
Gross profit		11,482,972	5,847,255
Administrative expenses		(7,610,587)	(6,212,561)
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS)</b>	3	3,872,385	(365,306)
Investment income	6	11,337	33,561
Interest receivable	7	510,030	381,603
Interest payable	8	(326,222)	(418,994)
		<hr/>	<hr/>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,067,530	(369,136)
Tax charge on profit/(loss) on ordinary activities	9	(1,221,000)	(507,226)
		<hr/>	<hr/>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,846,530	(876,362)
Retained profit at beginning of the year		8,600,810	9,477,172
		<hr/>	<hr/>
		<u>11,447,340</u>	<u>8,600,810</u>

**CONTINUING ACTIVITIES**

All activities are continuing.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2002 £	2001 (restated) £
Total gains and losses relating to the year	2,846,530	(876,362)
Prior year adjustment (as explained in note 13)	76,000	
Total recognised gains and losses since last report	<u>2,922,530</u>	

WARNER/CHAPPELL MUSIC LIMITED

BALANCE SHEET AT 30TH NOVEMBER 2002

	Notes	2002 £	2001 (restated) £
<b>FIXED ASSETS</b>			
Intangible assets	10	1,767,576	1,356,758
Tangible assets	11	945,491	1,270,950
Investments	12	1,133,484	16,685
		<hr/>	<hr/>
		3,846,551	2,644,393
<b>CURRENT ASSETS</b>			
Debtors	13	32,695,564	31,519,716
Cash		18,422,132	15,592,365
		<hr/>	<hr/>
		51,117,696	47,112,081
<b>CREDITORS: amounts falling due within one year</b>	14	(42,991,360)	(41,155,564)
<b>PROVISIONS FOR LIABILITIES &amp; CHARGES</b>	15	(525,447)	-
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		7,600,889	5,956,517
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,447,440</u>	<u>8,600,910</u>
<b>CAPITAL AND RESERVES</b>			
Equity share capital	18	100	100
Profit and loss account	19	11,447,340	8,600,810
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	<u>11,447,440</u>	<u>8,600,910</u>

Muhammad A. Q.

18.8.03

Director

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002

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 and change in accounting policy*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, Warner/Chappell Music Limited has adopted FRS 19, *Deferred Tax*. Adoption of these standards has required the revision of the financial statements for both the current and prior years.

*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*

Credit is taken for royalty income which has been received from users prior to the year end.

*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 NOVEMBER 2002  
(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 so as to spread the cost of pensions over the employees' working lives. Variations in pension costs which are identified as a result of actuarial valuations are amortised over the average expected working lives of employees in proportion to their expected payroll costs.

*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 as the company is a wholly-owned subsidiary undertaking of Time Warner 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 as the company is a wholly-owned subsidiary undertaking of Time Warner Limited, registered in England and Wales, which prepares a group cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(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:

	2002 £	2001 £
United Kingdom	34,031,925	34,401,588
Rest of world	27,448,633	25,100,150
	<u>61,480,558</u>	<u>59,501,738</u>

3. **OPERATING PROFIT/(LOSS)**

	2002 £	2001 £
This is stated after charging/(crediting):		
Auditors' remuneration - audit work	49,352	54,172
- non audit work	-	48,000
Depreciation	219,564	217,600
Amortisation of copyrights	290,442	286,154
Gain on foreign exchange	(16,200)	(3,054)
Operating lease rentals - land and buildings	442,061	346,217
	<u>=====</u>	<u>=====</u>

4. **DIRECTORS' REMUNERATION**

	2002 £	2001 £
Total: Emoluments	<u>777,515</u>	<u>795,317</u>
Pension contributions	<u>55,428</u>	<u>65,324</u>
Highest paid director		
Emoluments	<u>494,290</u>	<u>434,461</u>
Pension contributions	<u>30,572</u>	<u>31,006</u>
	<b>No.</b>	<b>No.</b>
Directors participating in defined benefit pension schemes:	<u>2</u>	<u>3</u>

The highest paid director's accrued pension entitlement at 30th November 2002 was £nil (30<sup>th</sup> November 2001 - £nil), as all pension contributions made are to an external defined contribution plan.

Number of directors exercising share options during the year was Nil (2001 - Nil).

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)**

**5. STAFF COSTS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,920,342	2,713,962
Social security costs	297,270	286,401
Other pension costs	186,749	203,169
Redundancy payments	10,610	63,800
	<u>3,414,971</u>	<u>3,267,332</u>

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

	<b>2002</b>	<b>2001</b>
	<b>No.</b>	<b>No.</b>
Commercial and administrative	<u>65</u>	<u>69</u>

**6. INVESTMENT INCOME**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Dividend receivable from group undertakings	<u>11,337</u>	<u>33,561</u>

**7. INTEREST RECEIVABLE**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank and other interest	<u>510,030</u>	<u>381,603</u>

**8. INTEREST PAYABLE**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
In respect of loans payable within five years:		
Amounts payable to group undertakings	324,804	417,944
Other interest	1,418	1,050
	<u>326,222</u>	<u>418,994</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)

9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
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% (2001 - 30%)	692,000	56,000
Double taxation relief	(692,000)	(56,000)
Group relief payments	782,000	-
Over provision for prior years	(346,000)	(43,000)
Overseas taxation suffered	692,000	626,226
Total Current Tax Charge	<u>1,128,000</u>	<u>583,226</u>
<u>Deferred tax</u>		
Timing differences, origination and reversal	93,000	(76,000)
Total deferred tax	<u>93,000</u>	<u>(76,000)</u>
Tax on Profit on Ordinary Activities	<u>1,221,000</u>	<u>507,226</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 30% (2001 - 30%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below.

Profit/(loss) on Ordinary activities before tax	4,067,530	(369,136)
Tax on profit/(loss) on ordinary activities at standard rate	1,220,259	(111,000)
Factors affecting charge:-		
Disallowable expenses & non taxable income	139,107	109,600
Capital allowances (in excess of)/less than depreciation	(57,000)	65,400
Loss on disposal of assets not allowable	158,000	-
Timing differences	6,000	(8,000)
Unrelieved foreign tax	-	570,226
Tax overprovided in previous years	(346,000)	(43,000)
Other	7,634	-
Total Current Tax (note a above)	<u>1,128,000</u>	<u>583,226</u>

c) Deferred Tax

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

Included in debtors	<u>(177,000)</u>	<u>(270,000)</u>
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NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)

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

c) Deferred Tax (continued)

Deferred taxation provided in the financial statements is as follows:

Depreciation in excess of Capital Allowances	(156,000)	(234,000)
Other timing differences	(21,000)	(36,000)
Provision for deferred tax	<u>(177,000)</u>	<u>(270,000)</u>

Analysis of Movement in provision

At 1 December 2001	(270,000)
Charge for the year	93,000
At 30 November 2002	<u>(177,000)</u>

10. INTANGIBLE FIXED ASSETS

	Copyrights £
Cost:	
At 1st December 2001	2,771,029
Additions	701,260
At 30 November 2002	<u>3,472,289</u>
Amortisation:	
At 1st December 2001	1,414,271
Provided during the year	290,442
At 30th November 2002	<u>1,704,713</u>
Net book values:	
At 30th November 2002	<u>1,767,576</u>
At 1st December 2001	<u>1,356,758</u>

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Motor vehicles £	Furniture and equipment £	Total £
Cost:				
At 1st December 2001	1,123,484	114,763	1,012,414	2,250,661
Additions	277,444	62,717	115,482	455,643
Disposals	(674,091)	(44,352)	(220,685)	(939,128)
At 30th November 2002	<u>726,837</u>	<u>133,128</u>	<u>907,211</u>	<u>1,767,176</u>

**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)**

**11. TANGIBLE FIXED ASSETS (continued)**

	<b>Leasehold improvements £</b>	<b>Motor vehicles £</b>	<b>Furniture and equipment £</b>	<b>Total £</b>
Accumulated depreciation:				
At 1st December 2001	280,571	46,214	652,926	979,711
Provided during the year	62,331	32,231	125,002	219,564
Disposals	(191,354)	(37,637)	(148,599)	(377,590)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th November 2002	151,548	40,808	629,329	821,685
	<hr/>	<hr/>	<hr/>	<hr/>
Net book values:				
At 30th November 2002	<u>575,289</u>	<u>92,320</u>	<u>277,882</u>	<u>945,491</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 1st December 2001	<u>842,913</u>	<u>68,549</u>	<u>359,488</u>	<u>1,270,950</u>
	<hr/>	<hr/>	<hr/>	<hr/>

**12. INVESTMENTS**

The cost of investments held at 30th November 2002 was as follows:

	<b>2002 £</b>	<b>2001 £</b>
Investments in subsidiary undertakings	1,116,899	100
Investment in joint venture	50	50
Listed investments	16,535	16,535
	<hr/>	<hr/>
	<u>1,133,484</u>	<u>16,685</u>
	<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 2001 and 30th November 2002 at cost	<u>50</u>

The following information is relevant in respect of Kirshner-Warner Bros Music Limited for the year ended 30th November 2002:

	<b>£</b>
Aggregate amount of capital and reserves	<u>100</u>
Profit for the year after tax	<u>23,887</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)

12. INVESTMENTS (continued)

(a) Kirshner-Warner Bros Music Limited (continued):

During the year, the company received dividends of £11,337 (2001 - £33,561) from its joint venture, Kirshner-Warner Bros Music Limited. At 30th November 2002, Kirshner-Warner Bros Music Limited owed the company £40,527 (2001 - £nil).

During the year, the company also received commission income of £2,500 (2001 - £2,500) for processing royalties 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.

	£
International Music Publications Limited:	
Balance at 1st December 2001 and	
30th November 2002 at cost	100
	=====

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

During 2002 the company purchased 100% of the issued share capital of Glissando Music Limited, a music publishing company registered in England and Wales.

	£
Acquisition of share capital of	
Glissando Music Limited	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.

(d) Dizzy Heights Music Publishing Limited

During 2002 the company purchased 100% of the issued share capital of Dizzy Heights Music Publishing Limited, a music publishing company registered in England and Wales.

	£
Acquisition of share capital of	
Dizzy Heights Music Publishing Limited	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 30TH NOVEMBER 2002**  
(Continued)

**12. INVESTMENTS (continued)**

**(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) Listed Investments**

The listed investments are all listed in Great Britain.

The market value of the investments at 30th November 2002 was £28,007 (30th November 2001 - £28,398).

**13. DEBTORS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>(restated)</b>
	<b>£</b>	<b>£</b>
Royalty advances	21,119,533	19,769,482
Trade debtors	51,058	43,669
Owed by subsidiary undertaking	27,108	74,619
Owed by group undertakings	10,998,281	11,233,675
Prepayments	128,633	127,249
VAT	193,951	-
Deferred tax	177,000	270,000
Income tax recoverable	-	1,022
	<u>32,695,564</u>	<u>31,519,716</u>

**Prior year adjustment**

The company has adopted FRS19 and both the profit and loss account and the balance sheet prior year comparatives have been restated. The Balance Sheet reserves figure has increased by £194,000 to include the deferred tax asset as at 1 December 2000. The taxation credit for the year ended 30 November 2001 has increased by £76,000, and as a result at 30 November 2001 the deferred tax balance was £270,000.



**WARNER/CHAPPELL MUSIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002**  
(Continued)

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

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Trade creditors	24,655,863	23,944,454
Due to subsidiary undertaking	81,724	32,126
Due to group undertakings	16,717,901	15,685,058
Other creditors	325,658	93,903
Accruals	655,325	545,616
VAT	-	418,478
Corporation tax	469,914	35,000
Other taxes and social security costs	84,975	400,929
	<u>42,991,360</u>	<u>41,155,564</u>

**15. PROVISIONS FOR LIABILITIES & CHARGES**

Long term property provisions:

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
At 1 December	-	-
Arising in the year	525,447	-
At 30 November	<u>525,447</u>	<u>-</u>

The long term property provision is the future rent expense and related costs of vacant leasehold property.

**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**

	<b>Land and buildings</b>	
	<b>2002</b>	<b>2001</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	<u>582,000</u>	<u>412,260</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)

18. SHARE CAPITAL

	2002 £	Authorised 2001 £	2002 £	Allotted, called up and fully paid 2001 £
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

19. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share Capital	Profit and loss Account	Total Shareholders' Funds
At 30 November 2001	100	8,330,810	8,330,910
Adjustment to reserves on 1 December 2000 (Note 13)	-	194,000	194,000
Prior year adjustment (Note 13)	-	76,000	76,000
Restated at 30 November 2001	100	8,600,810	8,600,910
Profit for the year	-	2,846,530	2,846,530
	100	11,447,340	11,447,440
	=====	=====	=====

20. 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 (2001 - £nil).

21. PENSIONS

The company's employees belong to the Time Warner UK Pension Plan, which is a multi-employer defined benefit final salary scheme. The scheme is self-administered and funded to cover past and future pension liabilities, including expected future earnings and pension increases, in respect of service up to the balance sheet date. The scheme is subject to independent valuation at least every three years, on the basis of which a qualified actuary certifies the rate of the employer's contribution which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are sufficient to fund the benefits payable under the scheme. The assets of the scheme are held in separately administered funds. The total pensions cost to the company for the year ended 30 November 2002 was £186,749 (2001: £203,169).

The last full actuarial valuation for the Time Warner UK Pension Plan was prepared as at 5 April 2002.

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)

21. PENSIONS (continued)

The main assumptions used by the actuary as 5 April 2002 were

Rate of increase in salaries	3.9% - 4.9%
Rate of increase for pensions in payment	2.6% - 2.9%
Rate of return on investments	5.8% - 7.2%

The total market value of the assets of the whole plan was £50.5 million. The valuation showed that the assets at 5 April 2002 were adequate to secure 88% of the benefits payable to pensioners, members who had left service with deferred benefits, and the benefits that contributing members had earned in respect of pensionable salary at that date. As a result of this valuation, contributions from employees remain unchanged and employers' contributions were set at rates between 11.9% and 16.3% of pensionable salary, depending on the division of the Time Warner group the pension scheme member is employed by.

The total overall combined contribution rate from employers to the plan will vary depending on the experience of the plan and hence any surplus or deficit in the plan will be revealed when actuarial valuations are completed from time to time. Following the actuarial valuation as at 5 April 2002, the contribution rate payable by Warner/Chappell Music has been set based on discussions amongst the participating companies, so that the total contributions from all employers equal the required funding rate. The Warner/Chappell Music rate does not reflect the individual experience of its employee members in isolation, but is derived from the average combined contribution rate adjusted to give Warner/Chappell Music the benefit of past additional payments to the plan.

The assets of the plan are invested as a whole and are not segregated by participating employer. Consequently information concerning that part of the plan assets attributable to Warner/Chappell Music is not available.

The disclosures at 30 November 2001 were based on a projection of the actuarial valuation of the plan as at 6 April 1999, updated to 30 November 2001, when the plan assets and liabilities were apportioned on an approximate basis amongst the companies participating in the scheme. At that time it was the view of the directors and the plan actuaries that this basis was appropriate. However, with the completion of the actuarial valuation as at 5 April 2002 and its roll forward to 30 November 2002, it has become clear that the assumptions used to apportion the scheme assets and liabilities as at 30 November 2001 did not represent a consistent and reasonable basis. This has been confirmed by the plan actuaries and, on the basis of their advice, the directors have decided to treat the company's participation in the plan as if it were a defined contribution scheme. As a consequence, the amended disclosures included below reflect the position of the plan as a whole, rather than that of Warner/Chappell Music.

The deficit on the whole plan under FRS 17 at the balance sheet date is £14.7million (2001:£14.2million). The increase in the deficit is made up of the following items: current service cost of (£4.6) million; contributions received of £5.6 million; actuarial loss of (£1.3) million; other financial items (£0.2) million. The directors are advised that under current pensions legislation, Warner/Chappell Music will not be held liable for any part of this deficit. The plan's actuaries have advised that had the plan been wound up at balance sheet date, there would have been no debt on the participating employers, because under the Minimum Funding Requirement basis the plan assets exceed 120% of the plan liabilities.

The main assumptions used by the actuary at 30 November 2002 were:

Rate of Increase in salaries:	
Staff	3.3%
Executives	4.3%
Rate of increase for pensions in payment	2.3%
Discount rate	5.7%
Inflation assumption	2.3%

NOTES TO THE FINANCIAL STATEMENTS AT 30TH NOVEMBER 2002  
(Continued)

21. PENSIONS (continued)

Long-term rate of return expected:	
Equities	7.7%
Bonds	5.2%
Cash	4.0%

22. PARENT UNDERTAKING AND CONTROLLING PARTY

Time Warner Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up. Time Warner Limited is registered in England and Wales and copies of its financial statements can be obtained from the Register of Companies in England and Wales.

AOL Time Warner Inc., a company incorporated in the United States of America, is the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of AOL Time Warner Inc.'s financial statements can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.