

939016

WARNER/CHAPPELL NORTH AMERICA LIMITED

Report and Accounts

31 May 2001



Warner/Chappell North America Limited

Registered No. 939016

DIRECTORS

J Dyball

M Lavin

B W Hitchens (resigned 31 December 2001)

SECRETARY

S Skinner

AUDITORS

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

REGISTERED OFFICE

Griffin House

161 Hammersmith Road

London

W6 8BS

DIRECTORS' REPORT

The Directors' present their Report and Accounts of the Company for the year ended 31 May 2001.

RESULTS AND DIVIDENDS

The company has not traded during the year and has made neither a profit nor a loss. No profit and loss account has therefore been prepared.

REVIEW OF BUSINESS

The company ceased to trade on 1 June 1994.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year 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. There has been no movement in directors' interests since 31 May 2001.

AUDITORS

On 28 June 2001, Ernst & Young transferred its business to a Limited Liability Partnership, incorporated under the Limited Liability Partnership Act 2000, known as Ernst & Young LLP. The Directors' have consented to treating the appointment of Ernst & Young as the company's auditors as extending to Ernst & Young LLP with effect from 28 June 2001.

On behalf of the Board

Murray A. Cairns

Director

Date:

26 June 2002

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF WARNER/CHAPPELL NORTH AMERICA LIMITED

We have audited the company's accounts for the year ended 31 May 2001 which comprise the Balance Sheet and the related notes 1 to 8. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st May 2001 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

ERNST & YOUNG LLP
Registered Auditor
London

Dated: 26/06/02

Warner/Chappell North America Limited

BALANCE SHEET

at 31 May 2001

| | Notes | 2001 £ | 2000 £ |
|-----------------------------|-------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Debtors | 5 | 8,952 | 8,952 |
| | | <u> </u> | <u> </u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 6 | 100 | 100 |
| Profit & Loss Account | | 8,852 | 8,852 |
| | | <u> </u> | <u> </u> |
| SHAREHOLDERS' FUNDS | 7 | 8,952 | 8,952 |
| | | <u> </u> | <u> </u> |

Michael A. Con

Director

Date:

26 June 2002

NOTES TO THE ACCOUNTS

at 31 May 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under historical cost convention in accordance with applicable accounting standards.

The company has taken advantage of the exemption in Section 228 of Companies Act 1985 not to prepare group accounts as it is, itself, a wholly owned subsidiary undertaking of an EC parent undertaking which prepares group accounts.

Basis of Preparation

Under an Exploitation Agreement dated 1 December 1992 Warner/Chappell Music International Limited, a fellow subsidiary undertaking, accepted the benefit and burden of the company's rights and obligations under its current and future contracts with third parties. Under the Exploitation Agreement the company's directors' have the right to set an annual fee chargeable to Warner/Chappell Music International Limited. In the current year this fee was set at £nil (2000 £nil).

Copyrights

Copyrights acquired are written off in the year of acquisition.

Cash flow statement

The company, being a wholly owned subsidiary of an EC parent undertaking which prepares a Statement of Cash flows in accordance with Financial Reporting Standard No 1 ("FRS 1") is taking advantage of the exemption in FRS 1 not to provide a Statement of Cash flows.

2. PROFIT AND LOSS ACCOUNT

The company has not traded during the year and has made neither a profit nor a loss. No profit and loss account has therefore been prepared.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

In terms of the agreement entered into with Warner/Chappell Music International Limited dated 1 December 1992, Warner/Chappell Music International Limited is responsible for the payment of all costs and expenses of the company.

4. EMPLOYEES AND DIRECTORS

The company had no employees other than directors. The directors remuneration was £nil (2000 - £nil).

5. DEBTORS

| | 2001 | 2000 |
|--------------------------------------|-------|-------|
| | £ | £ |
| Due from fellow-subsiary undertaking | 8,952 | 8,952 |

NOTES TO THE ACCOUNTS

at 31 May 2001

6. SHARE CAPITAL

| | 2001 | 2000 |
|-------------------------------------|-------------------|-------------------|
| | £ | £ |
| Authorised: | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid: | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | <u> </u> | <u> </u> |

7. RECONCILIATION OF SHAREHOLDERS FUNDS

| | 2001 | 2000 |
|--------------------------------|-------------------|-------------------|
| | £ | £ |
| At 1 June 2000 and 31 May 2001 | 8,952 | 8,952 |
| | <u> </u> | <u> </u> |

8. PARENT UNDERTAKING AND ULTIMATE PARENT UNDERTAKING

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

At 31 May 2000, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the largest group of undertakings of which the company is a member and for which group accounts are drawn up. Copies of Time Warner Inc.'s accounts can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.

On 11 January 2001, Time Warner Inc. was merged with America Online Inc. to form AOL Time Warner Inc. AOL Time Warner Inc. is now 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 accounts are drawn up. Copies of AOL Time Warner Inc.'s accounts can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.