# WARNER CHAPPELL MUSIC GROUP (UK) LIMITED

(Registered in England No. 1853621)

## DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

## 30 SEPTEMBER 2011

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# WARNER CHAPPELL MUSIC GROUP (UK) LIMITED

**Registration No 1853621**

**DIRECTORS**
J Dyball
M Lavin
R Booker (appointed 24/11/2010)

**SECRETARY**
Olswang Cosec Limited

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

**REGISTERED OFFICE**
Seventh floor
90 High Holborn
London
WC1V 6XX

## WARNER CHAPPELL MUSIC GROUP (UK) LIMITED

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 30 September 2011

### RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6 The directors do not propose a dividend (2010 - £31,534,803, including *in specie* dividends)

### BUSINESS REVIEW

The principal activity of the company historically was that of an investment holding company During the prior year the company sold or transferred the investments to other group companies As such the company has made no profit or loss in the current year

Given the non-trading nature of its business and the fact that it has no employees, the company does not consider itself subject to key performance indicators

### RISKS AND UNCERTAINITES

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

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 30 September 2011 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

### 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

Michael A-C

M Lavin
Director

Date 15 June 2012

## WARNER CHAPPELL MUSIC GROUP (UK) 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 GROUP (UK) LIMITED

We have audited the financial statements of Warner/Chappell Music Group (UK) Limited for the year ended 30 September 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 9 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 3, 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

In addition, we read all the financial and non-financial information in the Report of the Directors and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

### OPINION ON FINANCIAL STATMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 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 MATTERS 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

## 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)
London

Date 28 June 2012

## WARNER CHAPPELL MUSIC GROUP (UK) LIMITED

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 30 SEPTEMBER 2011

| | Notes | 2011 £ | 2010 £ |
|---|---|---|---|
| Income from shares in subsidiary undertakings | | - | 6,700,000 |
| Interest receivable | 4 | - | 66,426 |
| Profit on ordinary activities before taxation | | - | 6 766,426 |
| Loss on transfer of investment | | - | (13,462,855) |
| Loss before taxation | | - | (6,696,429) |
| Taxation | 5 | - | 61,000 |
| Loss after taxation | | - | (6,635,429) |

Going forward no trading is expected

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

The notes on pages 8 to 10 form part of the financial statements

## WARNER CHAPPELL MUSIC GROUP (UK) LIMITED

## BALANCE SHEET AT 30 SEPTEMBER 2011

| | Notes | 2011 £ | 2010 £ |
|---|---|---|---|
| Debtors falling due in greater than one year | 6 | 1 | 1 |
| Total Assets | | 1 | 1 |
| Capital and reserves | | | |
| Equity share capital | 7 | 1 | 1 |
| Shareholders' funds | 8 | 1 | 1 |

The financial statements of Warner Chappell Music Group (UK) Limited (registered number 1853621) were approved by the board of directors and were signed on its behalf by

M Lavin
Director

Dated 15 June 2012

The notes on pages 8 to 10 form part of these financial statements

## 1 ACCOUNTING POLICIES

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

**Basis of preparation**

As noted in the Directors' report, the company sold or transferred all of its investments to other group companies during the prior year The company is not intended to trade in future years As such, the financial statements have been prepared on a basis other than that of a going concern No material adjustments arose as a result of ceasing to apply the going concern basis

**Accounting convention**

These financial statements are prepared under the historical cost convention, as modified by the revaluation of investments in subsidiary undertakings and in accordance with applicable accounting standards

**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

**Statement of Cash flows**

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

**Related parties**

The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with fellow wholly-owned subsidiary undertakings

## 2 EMPLOYEES AND DIRECTORS

The company has no employees other than directors The directors' remuneration was £nil (2010 -£nil)

## 3 AUDITORS' REMUNERATION

Audit fees of £1,000 have been borne by another group undertaking

## 4 INTEREST RECEIVABLE

| | 2011 £ | 2010 £ |
|---|---|---|
| Interest receivable from subsidiary undertakings | - | 66,426 |

## 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2011 £ | 2010 £ |
|---|---|---|
| The charge based on the results for the year is as follows | | |
| Taxation based on the profits for the year | | |
| Corporation tax payable at 27% (2010 - 28%) | - | (61,000) |
| Total current tax charge | - | (61,000) |

a) Circumstances affecting current charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 27% (2010 – 28%) The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

| | | |
|---|---|---|
| Loss on ordinary activities before tax | - | (6,696,429) |
| Tax on profit on ordinary activities at standard rate | - | (1,875,000) |
| Factors affecting charge - | | |
| Disallowable expenses & non taxable income | - | 1,894,000 |
| Group Relief Received for nil consideration | - | (80,000) |
| Total current tax (note a above) | - | (61,000) |

## 6 DEBTORS

| | 2011 £ | 2010 £ |
|---|---|---|
| Amounts due from group undertakings | 1 | 1 |

## 7 SHARE CAPITAL

| | 2011 £ | 2010 £ |
|---|---|---|
| Authorised | | |
| 40,000,000 ordinary shares of £1 each | 40,000,000 | 40,000 000 |
| Allotted, called up and fully paid | | |
| 1 ordinary share of £1 | 1 | 1 |

## 8 RECONCILIATION OF SHAREHOLDERS' FUNDS AND RESERVES

| | Share capital £ | Profit and loss account £ | Total £ |
|---|---|---|---|
| Balance at 1 October 2010 And 30 September 2011 | 1 | - | 1 |

## 9 PARENT UNDERTAKING AND ULTIMATE PARENT UNDERTAKING

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

On 20 July 2011 Warner Music Group Corp the ultimate parent undertaking at the time, a company incorporated in the United States of America merged with a subsidiary of Access Industries LLC As a result, at 30 September 2011, 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