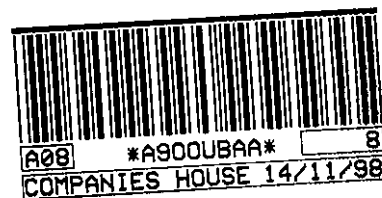


CHAPPELL MORRIS LIMITED
(Registered in England No 409829)

DIRECTORS' REPORT AND AUDITED ACCOUNTS

30TH NOVEMBER 1997



CHAPPELL MORRIS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts of the company for the year ended 30th November 1997.

1. RESULTS AND DIVIDENDS

The company has not traded during the year and has made neither a profit or a loss. The directors do not propose to declare a dividend in respect of the year ended 30th November 1997 (1996: £Nil).

2. REVIEW OF THE BUSINESS

The company did not trade on its own account during the year, nor is it intended to do so in the foreseeable future.

3. DIRECTORS

The directors of the company during the year were:

J Hammond (Resigned 30th May 1997)
B W Hitchens
A D F Gummer (Resigned 8th January 1998)

In addition, J M Dyball was appointed on 8th January 1998.

4. DIRECTORS' INTERESTS

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 30th November 1997.

5. AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

6. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which gives 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, and 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.

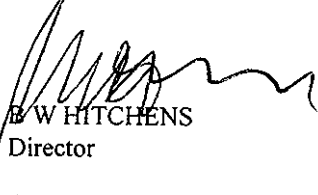
CHAPPELL MORRIS LIMITED

REPORT OF THE DIRECTORS
(Continued)

6. **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**
(Continued)

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.

ON BEHALF OF THE BOARD


B W HITCHENS
Director

Dated: 27/10/98

AUDITORS REPORT TO THE
MEMBERS OF CHAPPELL MORRIS LIMITED

We have audited the accounts on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 at 30 November 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Registered Auditor

London

28 October 1998 Dated:

CHAPPELL MORRIS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH NOVEMBER 1997

	Notes	1997 £000's	1996 £000's
Turnover		-	-
Profit on ordinary activities before taxation	3	-	-
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		-	-
Dividends payable		-	-
Profit retained for the financial year		-	-
Retained profit brought forward		-	-
Retained profit carried forward		£ -	£ -

A Statement of Total Recognised Gains and Losses has not been presented as there are no gains and losses other than those dealt with in the profit and loss account.

The notes on pages 6 to 8 form part of these accounts.

CHAPPELL MORRIS LIMITED

BALANCE SHEET
AT 30TH NOVEMBER 1997

	Notes	1997 £000's	1996 £000's
Fixed assets:			
Investments	7	-	-
Current assets:			
Debtors	8	67	67
		<hr/>	<hr/>
		66	67
Creditors: amounts falling due within one year	9	66	66
		<hr/>	<hr/>
Net current assets		1	1
Total assets less current liabilities		<hr/>	<hr/>
		1	1
		<hr/>	<hr/>
		£ 1	£ 1
		<hr/>	<hr/>
Capital and reserves:			
Equity called up share capital	10	1	1
Profit and loss account		-	-
		<hr/>	<hr/>
Shareholders' funds	11	£ 1	£ 1
		<hr/>	<hr/>


Director

Dated: 27/10/98

The notes on pages 6 to 8 form part of these accounts.

CHAPPELL MORRIS LIMITED

NOTES TO THE ACCOUNTS AT 30TH NOVEMBER 1997

1. PARENT UNDERTAKING AND ULTIMATE PARENT UNDERTAKING

The parent undertaking, which is also the ultimate parent undertaking, of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Time Warner Inc., incorporated in the United States of America. The parent undertaking of the smallest such group is Warner/Chappell Music International Limited, registered in England and Wales, which purchased 100% of the share capital at 1 December 1994 from Warner Chappell Music France SA. Copies of Time Warner Inc.'s accounts can be obtained from:

Shareholder Relations
Time Warner Inc.
75 Rockefeller Plaza
New York, NY 10019
USA

2. ACCOUNTING POLICIES

Accounting convention

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts

Group accounts have not been prepared as the company is exempt being a subsidiary undertaking of a parent undertaking registered in England and Wales which prepares group accounts.

The accounts present information about the company as an individual undertaking.

Investments

Investments are stated at cost less amounts written off.

Cashflow statement

The company, being a wholly owned subsidiary of an EC parent undertaking, which prepares a Statement of Cashflows 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 Cashflows.

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.

CHAPPELL MORRIS LIMITED

NOTES TO THE ACCOUNTS AT 30TH NOVEMBER 1997

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

In the terms of the agreement entered into with Warner/Chappell Music Limited dated 1st December 1987, Warner/Chappell Music Limited is responsible for the payment of all costs and expenses of the Company.

4. EMPLOYEES AND DIRECTORS

The company has no employees other than directors. The directors' remuneration was £ NIL (1996 £ NIL).

5. AUDITORS' REMUNERATION

Auditors' remuneration is borne by Warner/Chappell Music Limited another group undertaking.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge which is based on the profits for the year is made up as follows:

	1997 £000's	1996 £000's
Corporation tax at 33%	£ - ==	£ - ==

7. INVESTMENT AT COST

The company has a 50% interest in the share capital of Patricia Music Limited, which is registered in England and Wales.

In the accounts of Patricia Music at 30 June 1997, the most recent accounting period end, the aggregate amount of capital and reserves was £503 and the profit reported for the year ended 30 June 1997 was £NIL.

8. DEBTORS

	1997 £000's	1996 £000's
Due from fellow subsidiary undertaking	53	1
Group relief receivable	14 —	66 —
	£ 67 ==	£ 67 ==

CHAPPELL MORRIS LIMITED

NOTES TO THE ACCOUNTS AT 30TH NOVEMBER 1997

9. CREDITORS: amounts falling due within one year

	1997 £000's	1996 £000's
Group relief payable	66	66
	<hr/>	<hr/>
	£ 66	£ 66
	<hr/>	<hr/>

10. SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
1,000 ordinary shares of 10p each	100	100
	<hr/>	<hr/>
	£ 1,100	£ 1,100
	<hr/>	<hr/>

Each holder of the £1 Ordinary Shares and the 10p Ordinary Shares has one vote per share held. The profits of the company available for dividend and resolved by the company to be distributed in respect of any financial year shall be applied as to one-fortieth in the payment of dividends to the holders of Ordinary Shares of £1 each and thirty nine-fortieths to the payment of dividends to the holders of Ordinary Shares of 10p each. In a winding up the surplus assets of the company shall be applied in paying one-fortieth to the holders of the Ordinary shares of £1 each and the remaining thirty nine-fortieths to the holders of the Ordinary Shares of 10p each.

11. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1997 £000	1996 £000
At 1 December 1996	1	1
Profit for the year	-	-
Dividends	-	-
	<hr/>	<hr/>
At 30 November 1997	£ 1	£ 1
	<hr/>	<hr/>