

DIPLOMAT MUSIC LIMITED
(Registered in England No. 875521)

DIRECTORS' REPORT AND AUDITED ACCOUNTS

30TH JUNE 2000



DIPLOMAT MUSIC LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts of the company for the year ended 30th June 2000.

1. RESULTS AND DIVIDENDS

The profit for the year is set out in the profit and loss accounts on page 4. The directors do not propose to declare a dividend in respect of the year ended 30th June 2000.

2. PRINCIPAL ACTIVITY

The principal activity of the business during the year continued to be music publishing. The directors do not anticipate any change in the future.

3. DIRECTORS

The directors of the company during the year were:

B W Hitchens
J M Dyball
J R Manners
M A Lavin (appointed 4th January 2000)

4. DIRECTORS' INTEREST IN SHARE CAPITAL

At no time during the year did any director have any interest in the shares of the company. There has been no movement in directors' interests since 1st July 2000.

5. AUDITORS

Elliotts 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 give a true and fair view of the state of the 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 judgement and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIPLOMAT MUSIC 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD



M A LAVIN
Director

Dated: 24-4-01

REPORT OF THE AUDITORS TO THE MEMBERS OF

DIPLOMAT MUSIC LIMITED

We have audited the accounts on pages 4 to 7, 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 the 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 as at 30th June 2000 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ELLIOTTS

Registered Auditors
Centre Heights
137 Finchley Road
London NW3 6JG

Date 26th April 2001

DIPLOMAT MUSIC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2000

	Notes	2000 £	1999 £
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		777	738
		<hr/>	<hr/>
Operating Loss	2	(777)	(738)
Interest Receivable		1,885	2,603
Interest Payable		(123)	(145)
		<hr/>	<hr/>
Profit on ordinary activities before tax		985	1,720
Tax on Profit on Ordinary Activities	4	(173)	(357)
		<hr/>	<hr/>
Retained profit brought forward		812 49,367	1,363 48,004
		<hr/>	<hr/>
Retained profit carried forward		50,179	49,367
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 6 to 7 form part of these financial statements.

DIPLOMAT MUSIC LIMITED
BALANCE SHEET
AT 30TH JUNE 2000

	Notes	2000 £	1999 £
Current assets:			
Cash at bank		52,093	51,410
		<hr/> 52,093	<hr/> 51,410
Creditors: amounts falling due within one year	5	(1,814)	(1,943)
		<hr/>	<hr/>
Net current assets		<u>50,279</u>	<u>49,467</u>
Capital and reserves:			
Share Capital	6	100	100
Profit and Loss Account		50,179	49,367
		<hr/>	<hr/>
Shareholders' funds	7	<u>50,279</u>	<u>49,467</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000)

On behalf of the board:

Mumtaz A. Qazi M A LAVIN
Director

Dated: 24-4-01

The notes on pages 6 to 7 form part of these financial statements.

DIPLOMAT MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 30TH JUNE 2000

1. ACCOUNTING POLICIES

Accounting convention

These accounts are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Turnover

Turnover represents gross royalty income. Credit is taken for royalty income which has been received or declared by users prior to the year end.

2. OPERATING LOSS

This is stated after charging;

	2000	1999
	£	£
Administration expenses		
Auditors' remuneration	750	750
Sundry expenses	27	(12)
	<hr/>	<hr/>
	777	738
	<hr/> <hr/>	<hr/> <hr/>

3. EMPLOYEES

The company had no employees during the year (1999 - Nil). No directors' remuneration was paid during the year (1999 - Nil).

4. TAX ON PROFITS ON ORDINARY ACTIVITIES

The charge for corporation tax is made up as follows;

	2000	1999
	£	£
Based on the profits for the year:		
Corporation tax at 17.51% (1999 - 20.75%)	173	357
	<hr/> <hr/>	<hr/> <hr/>

DIPLOMAT MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 30TH JUNE 2000

(Continued)

5. CREDITORS: amounts falling due within one year

	2000	1999
	£	£
Related company – Warner Chappell Music Ltd	891	836
Corporation tax	173	357
Accruals	750	750
	<hr/>	<hr/>
	1,814	1,943
	<hr/> <hr/>	<hr/> <hr/>

6. SHARE CAPITAL

	2000	1999
	£	£
Authorised, allotted, called up and fully paid:		
50 'A' shares of £1 each	50	50
50 'B' shares of £1 each	50	50
	<hr/>	<hr/>
	100	100
	<hr/> <hr/>	<hr/> <hr/>

7. RECONCILIATION OF SHAREHOLDERS' FUND AND RESERVES

	2000	1999
	£	£
Balance as at 1 July 1999	49,467	48,104
Profit for the year	812	1,363
	<hr/>	<hr/>
Balance as at 30 June 2000	50,279	49,467
	<hr/> <hr/>	<hr/> <hr/>

8. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard Time Warner Limited to be the company's immediate parent undertaking which is also 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 30 June 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. 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.