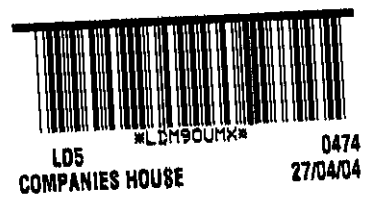


DIPLOMAT MUSIC LIMITED
(Registered in England No. 875521)

DIRECTORS' REPORT AND AUDITED ACCOUNTS

30TH JUNE 2003



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 2003.

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 2003 (2002 – Nil).

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:

J M Dyball
J R Manners
M A Lavin

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 2003.

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
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIPLOMAT MUSIC LIMITED

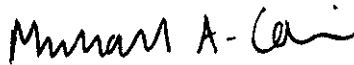
REPORT OF THE DIRECTORS
(Continued)

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

Date: 19-4-04

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF

DIPLOMAT MUSIC LIMITED

We have audited the financial statements of Diplomat Music Limited for the year ended 30 June 2003 on pages four to seven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and 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 on pages one and two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors 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 the company's affairs as at 30th June 2003 and of its profit for the year 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: 21 April 2004

DIPLOMAT MUSIC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2003

	Notes	2003 £	2002 £
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		780	879
		<hr/>	<hr/>
Operating Loss	2	(780)	(879)
Interest Receivable		1,053	1,253
Interest Payable		(123)	(107)
		<hr/>	<hr/>
Profit on ordinary activities before tax		150	267
Tax on Profit on Ordinary Activities	4	-	(20)
		<hr/>	<hr/>
Retained profit brought forward		150 50,708	247 50,461
		<hr/>	<hr/>
Retained profit carried forward		50,858	50,708
		<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 2003

	Notes	2003 £	2002 £
Current assets:			
Cash at bank		55,683	54,660
		<hr/>	<hr/>
		55,683	54,660
Creditors: amounts falling due within one year	5	(4,725)	(3,852)
		<hr/>	<hr/>
Net current assets		<u>50,958</u>	<u>50,808</u>
Capital and reserves:			
Share Capital	6	100	100
Profit and Loss Account		50,858	50,708
		<hr/>	<hr/>
Shareholders' funds	7	<u>50,958</u>	<u>50,808</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 June 2002)

On behalf of the board:

Muhann A-Lavin M A LAVIN
Director

Date: 19-7-04

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

DIPLOMAT MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 30TH JUNE 2003

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 June 2002).

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;

	2003	2002
	£	£
Administration expenses		
Auditors' remuneration	750	746
Sundry expenses	30	133
	<hr/>	<hr/>
	780	879
	<hr/>	<hr/>

3. EMPLOYEES

The company had no employees during the year (2002 - Nil). No directors' remuneration was paid during the year (2002 - Nil).

4. TAX ON PROFITS ON ORDINARY ACTIVITIES

The charge for corporation tax is made up as follows;

	2003	2002
	£	£
Based on the profits for the year:		
Corporation tax at £Nil (2002 - 10%)	-	20
	<hr/>	<hr/>

Factors affecting the tax charge:

The tax assessed for the year is lower than the standard rate of corporation tax applicable to smaller companies in the U.K. The difference is explained below:-

	2003	2002
	£	£
Profit on ordinary activities before tax	150	267
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the U.K of £Nil (2002 - 10%)	-	27
Effects of:-		
Change in tax rate	-	(7)
	<hr/>	<hr/>
	-	20
	<hr/>	<hr/>

DIPLOMAT MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 30TH JUNE 2003

(Continued)

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

	2003 £	2002 £
Related company – Warner Chappell Music Ltd	3,225	3,082
Corporation tax	-	20
Accruals	1,500	750
	<hr/> 4,725 <hr/>	<hr/> 3,852 <hr/>

6. **SHARE CAPITAL**

	2003 £	2002 £
Authorised, allotted, called up and fully paid:		
50 'A' shares of £1 each	50	50
50 'B' shares of £1 each	50	50
	<hr/> 100 <hr/>	<hr/> 100 <hr/>

7. **RECONCILIATION OF SHAREHOLDERS' FUND AND RESERVES**

	2003 £	2002 £
Balance as at 1 July 2002	50,808	50,561
Profit for the year	150	247
	<hr/>	<hr/>
Balance as at 30 June 2003	50,958 <hr/>	50,808 <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.

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.

9. **RELATED PARTY DISCLOSURES**

As at 30 June 2003, an amount of £3,225 was due to Warner/Chappell Music Limited, a company related to Warner/Chappell Music International Limited, the holders of the 'B' shares.