

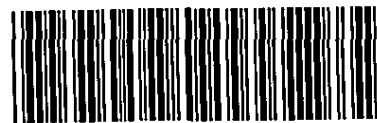
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Report and Accounts

FFRR Records Limited

26 September 2008

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COMPANIES HOUSE

FFRR Records Limited

Registered No. 1989940

DIRECTORS

J Reid
S Robson
R Evers

SECRETARY

Olswang Cosec Limited
90 High Holborn
London
WC1V 6XX

AUDITORS

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

REGISTERED OFFICE

90 High Holborn
London
WC1V 6XX

FFRR Records Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 26 September 2008.

RESULTS AND DIVIDENDS

The loss for the year amounted to £22,000 (2007 – £22,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was in the marketing of recorded music. On 1 January 1999 the company licensed all its recordings to London Records 90 Limited, a company within the same Divinestate Limited group.

The company's key financial and other performance indicators during the year were as follows:

	2008 £000	2007 £000	Change %
Turnover	43	49	-11%
Loss after tax	(22)	(22)	-1%
Shareholders' funds	7	29	-75%

Shareholders' funds decreased by 75% due to the retained loss.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties facing the company relate to the speed with and extent to which new digital revenue streams replace traditional income based on physical (mainly CD) sales.

FUTURE DEVELOPMENTS

The directors aim to continue the current management policy of maintaining the existing roster of artists. No further investments in artists is anticipated.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company who served during the year were as follows:

J Reid
S Robson
R Evers

There are no other directors' interests requiring disclosure under the Companies Act 1985.

DISCLOSURE OF INFORMATION TO THE AUDITORS

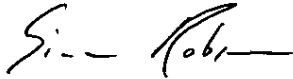
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each director has taken all the steps that he is obliged to as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



S Robson

Director

Date: 21/5/09

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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 year. 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; and
- state whether applicable 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 which 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 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.

INDEPENDENT AUDITORS' REPORT to the members of FFRR Records Limited

We have audited the company's financial statements for the year ended 26 September 2008, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 10. These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and considered the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

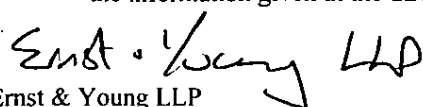
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 26 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP
Registered Auditor
London

21/5/09

FFRR Records Limited

PROFIT AND LOSS ACCOUNT for the year ended 26 September 2008

		<i>year ended</i> <i>26 September</i> <i>2008</i>	<i>year ended</i> <i>30 September</i> <i>2007</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
TURNOVER	2	43	49
Cost of sales		(60)	(68)
Gross loss		(17)	(19)
Administrative expenses		(2)	(2)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(19)	(21)
Tax on loss on ordinary activities	4	(3)	(1)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(22)	(22)

All activities are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

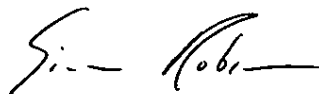
The company had no recognised gains or losses other than the loss of £22,000 for the year ended 26 September 2008 and the loss of £22,000 for the year ended 30 September 2007.

FFRR Records Limited

BALANCE SHEET

at 26 September 2008

		26 September 2008	30 September 2007
	Notes	£000	£000
CURRENT ASSETS			
Debtors (amounts falling due within one year)	5	—	3
Debtors (amounts falling due after more than one year)	5	207	226
CREDITORS: amounts falling due within one year	6	(2)	(2)
NET CURRENT ASSETS		205	227
CREDITORS: amounts falling due after more than one year	7	(198)	(198)
		7	29
CAPITAL AND RESERVES			
Called up share capital (£100)	8	—	—
Profit and loss account	9	7	29
EQUITY SHAREHOLDERS' FUNDS		7	29



S Robson
Director

Date: 21/5/09

NOTES TO THE ACCOUNTS

at 26 September 2008

1. ACCOUNTING POLICIES

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

Accounting convention

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

Accounting period

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 September.

Going concern

The financial statements are prepared on the going concern basis because London Records Limited has committed to provide financial support to the company to enable it to meet its debts as they fall due, and for the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Artists' advances

Artists are classified as proven or unproven depending on earnings potential. Advances to unproven artists are expensed as incurred. Advances to proven artists are held at net book value equal to the expected future royalty earnings.

Net advances to artists are classified as falling due within one year, although elements may not be recovered until after more than one year.

Royalty income

Credit is taken in the profit and loss account for royalty income that can be reliably measured that has been received from or declared by licensees and other parties by the year end.

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.

Cash flow statement

The company has taken advantage of the exemption in 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 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 FRS8 not to disclose related party transactions with fellow wholly-owned group undertakings.

FFRR Records Limited

NOTES TO THE ACCOUNTS

at 26 September 2008

2. TURNOVER

Turnover represents the invoiced value of licence fee income excluding value added tax. Turnover relates to the principal activity of the company and the geographical distribution of turnover is as follows:

	<i>year ended</i> <i>26 September</i>	<i>year ended</i> <i>September</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	43	49

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Another group company Warner Music UK Limited pays the auditors' remuneration for all the group companies and recharges a proportion of it to the group companies. The amount recharged in respect of audit fees was £1,648 (2007 – £1,730).

There were no employees other than the directors during the year. The directors received no remuneration for their services during the year (2007 – £nil).

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	<i>year ended</i> <i>26 September</i>	<i>year ended</i> <i>30 September</i>
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>

a) The charge based on the results for the year is as follows:

Taxation based on the loss for the year

Corporation tax payable at 29% (2007 – 30%)	–	–
Total current tax charge	–	–
<u>Deferred tax</u>		
Timing differences, origination and reversal	3	1
Total Deferred Tax	3	1
Total Tax Charge on Loss on Ordinary Activities	3	1

NOTES TO THE ACCOUNTS

at 26 September 2008

4. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

b) Circumstances affecting current (credit)/charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 29% (2007 30%). 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	(19)	(21)
	<hr/>	<hr/>
Tax on loss on ordinary activities at standard rate	(6)	(6)
Factors affecting the charge:		
Group relief surrendered for nil consideration	6	6
	<hr/>	<hr/>
Total current tax charge (note 4a)	-	-
	<hr/>	<hr/>

c) Deferred Tax

The deferred tax included in the balance sheet is as follows

Included in Debtors	-	3
	<hr/>	<hr/>
Accelerated capital allowances	-	3
	<hr/>	<hr/>
Provision for deferred tax	-	3
	<hr/>	<hr/>

Analysis of movement in provision

Provision at start of year	3
Charged to profit and loss account	(3)
	<hr/>
Provision at end of year	-
	<hr/>

FFRR Records Limited

NOTES TO THE ACCOUNTS at 26 September 2008

5. DEBTORS

	<i>26 September 2008</i>	<i>30 September 2007</i>
	<i>£000</i>	<i>£000</i>
<u>Due within one year</u>		
Deferred tax	—	3
	<u>—</u>	<u>3</u>
<u>Due after more than one year</u>		
Loan to group undertaking	207	226
	<u>207</u>	<u>229</u>
Total Debtors	<u>207</u>	<u>229</u>

The loan to group undertaking is repayable after more than one year. There is no interest receivable on this amount.

6. CREDITORS: amounts falling due within one year

	<i>26 September 2008</i>	<i>30 September 2007</i>
	<i>£000</i>	<i>£000</i>
Accruals	2	2
	<u>2</u>	<u>2</u>

7. CREDITORS: amounts falling due after more than one year

	<i>26 September 2008</i>	<i>30 September 2007</i>
	<i>£000</i>	<i>£000</i>
Loan from parent undertaking	198	198
	<u>198</u>	<u>198</u>

The loan from parent undertaking is repayable after more than one year. There is no interest payable on this amount.

FFRR Records Limited

NOTES TO THE ACCOUNTS

at 26 September 2008

8. SHARE CAPITAL

	26 September 2008	30 September 2007
	£	£
Authorised:		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT OF RESERVES

	Share Capital £000	Profit and loss account £000	Total £000
At 1 October 2007	-	29	29
Loss for the year	-	(22)	(22)
	<u> </u>	<u> </u>	<u> </u>
At 26 September 2008	-	7	7
	<u> </u>	<u> </u>	<u> </u>

10. PARENT UNDERTAKING

The company is 100% owned by Divinestate Limited, the immediate parent undertaking.

On 26 September 2008 Warner Music Group Corp., a company incorporated in the United States of America, was the ultimate parent undertaking and 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.