

2766264

Report and Accounts

Laurel Records Limited

30 November 2002



Laurel Records Limited

Registered No. 2766264

DIRECTORS

K Mullock
J V Watson
N Phillips

SECRETARY

B E S Jones

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

Interpark House
7 Down Street
London W1J 7AJ

Laurel Records Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 30 November 2002.

RESULTS AND DIVIDENDS

The profit for the year amounted to £16,000 (2001 - £52,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY

The company's principal activity during the year was in the creation and marketing of recorded music.

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

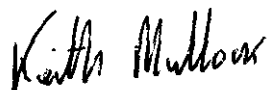
The directors of the company for the year were as listed on page 1

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

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



K Mullock

Director

Date: 22-9-03

Laurel Records Limited

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 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; and
- prepare the accounts 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 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.

INDEPENDENT AUDITORS' REPORT to the members of Laurel Records Limited

We have audited the company's financial statements for the year ended 30 November 2002, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 11. These financial statements have been prepared on the basis of 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'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 in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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 Directors' Report 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 Directors' Report 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 affairs of the company as at 30 November 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

22-9-03

Laurel Records Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 November 2002

		<i>year ended</i> 30 November 2002	<i>period ended</i> 30 November 2001
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
TURNOVER	2	(4)	7
Cost of sales		(1)	—
Gross (loss)/profit		(5)	7
Administrative expenses		(1)	67
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(6)	74
Tax on (loss)/profit on ordinary activities	5	22	(22)
RETAINED PROFIT FOR THE FINANCIAL YEAR		16	52
Retained deficit brought forward		(1,759)	(1,811)
RETAINED DEFICIT CARRIED FORWARD	10	(1,743)	(1,759)

All activities are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no gains or losses arising other than those recognised in the profit and loss account.

Laurel Records Limited

BALANCE SHEET at 30 November 2002

		30 November 2002 £000	30 November 2001 £000
	Notes		
CURRENT ASSETS			
Debtors	6	806	784
CREDITORS: amounts falling due within one year	7	(11)	(10)
NET CURRENT ASSETS		<u>795</u>	<u>774</u>
CREDITORS: amounts falling due after more than one year	8	(2,538)	(2,533)
		<u>(1,743)</u>	<u>(1,759)</u>
CAPITAL AND RESERVES			
Called up share capital (£2)	9	-	-
Profit and loss account	10	(1,743)	(1,759)
EQUITY SHAREHOLDERS' FUNDS		<u>(1,743)</u>	<u>(1,759)</u>

K Mullock
Director

Keith Mullock

Date: 22-9-03

NOTES TO THE ACCOUNTS
at 30 November 2002

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 period

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

Accounting convention and change in accounting policy

These accounts are prepared under the historical cost convention, on a going concern basis and in accordance with applicable accounting standards, the validity of which is dependent upon the continued financial support of the parent undertaking. The directors of the immediate parent undertaking have indicated that support will be made available to the company for the foreseeable future.

During the year the company has adopted FRS 19 'Deferred Taxation' which has had no material impact on the company.

Statement of cash flows

As the company is a wholly-owned subsidiary of an EC parent undertaking which prepares a consolidated statement of cash flows, in accordance with Financial Reporting Standard No. 1 Revised ("FRS 1"), the company is not presenting a statement of cash flows.

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.

Royalty income

Credit is taken for royalty income that has been received from licensees.

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.

Related parties

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

Laurel Records Limited

NOTES TO THE ACCOUNTS at 30 November 2002

2. TURNOVER

Turnover represents the invoiced value of goods and services 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> 30 November 2002 £000	<i>period ended</i> 30 November 2001 £000
United Kingdom	(5)	1
Rest of World	0	6
Third Party	1	0
	<u>(4)</u>	<u>7</u>

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is after charging:

	<i>year ended</i> 30 November 2002 £000	<i>period ended</i> 30 November 2001 £000
Auditors' remuneration – audit services	1	1
	<u>1</u>	<u>1</u>

4. DIRECTORS' EMOLUMENTS

There were no employees other than the directors during the year. The directors received no remuneration for their services during the year (2001 - £nil).

Laurel Records Limited

NOTES TO THE ACCOUNTS at 30 November 2002

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

<i>year ended</i>	<i>period ended</i>
<i>30 November</i>	<i>30 November</i>
<i>2002</i>	<i>2000</i>
<i>£000</i>	<i>£000</i>

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

Taxation based on the (loss)/profit for the year:		
Group relief payments	-	22
Over provision for prior years	(22)	-
Total Current Tax (Credit)/Charge	(22)	22

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 30% (2001 30%). The current tax (credit)/charge for the year differs from the standard rate for the reasons in the reconciliation below.

(Loss)/Profit on Ordinary activities before tax	(6)	74
Tax on (loss)/profit on ordinary activities at standard rate	(2)	22
Over provision for earlier years	(22)	-
Group relief for nil consideration	2	-
Total Current Tax (note a above)	(22)	22

6. DEBTORS

<i>30 November</i>	<i>30 November</i>
<i>2002</i>	<i>2001</i>
<i>£000</i>	<i>£000</i>
Group tax relief	806
806	784

Laurel Records Limited

NOTES TO THE ACCOUNTS at 30 November 2002

7. CREDITORS: amounts falling due within one year

	<i>30 November 2002 £000</i>	<i>30 November 2001 £000</i>
Trade creditors	9	9
Accruals	2	1
	<u>11</u>	<u>10</u>

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

	<i>30 November 2002 £000</i>	<i>30 November 2001 £000</i>
Loans from affiliated undertakings	2,538	2,533

Loans from affiliated undertakings are repayable after more than one year. There is no interest payable on this amount.

9. SHARE CAPITAL

	<i>30 November 2002 £</i>	<i>30 November 2001 £</i>
Authorised: 1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid: 2 Ordinary shares of £1 each	2	2

NOTES TO THE ACCOUNTS
at 30 November 2002

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£000	£000	£000
At 1 December 2000	–	(1,811)	(1,811)
Profit for the period	–	52	52
At 30 November 2001	–	(1,759)	(1,759)
Profit for the year	–	16	16
At 30 November 2002	–	(1,743)	(1,743)

11. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is London Records 90 Limited. The parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Divinestate Limited, registered in England and Wales. Copies of Divinestate Limited's accounts can be obtained from Interpark House, 7 Down Street, London W1Y 7AJ.

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 accounts are drawn up. Copies of AOL Time Warner Inc.'s accounts can be obtained from 75 Rockefeller Plaza, New York, NY 10019, USA.