

46/8039

Report and Financial Statements

1967 Limited

26 September 2008



1967 Limited

Registered No. 04618039

DIRECTORS

J Reid

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

DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 26 September 2008.

REVIEW AND DIVIDENDS

The profit for the period, after tax, amounted to £117,296 (2007 – loss £2,248,992). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the period was the sale and distribution of recorded music.

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

	2008	2007	Change
	£	£	%
Turnover	2,027,150	3,182,325	-36%
Profit/(loss) after tax	117,296	(2,248,992)	+105%
Shareholders' deficit	(9,235,293)	(9,352,589)	-1%
Current assets as % of current liabilities	5%	9%	-45%

Turnover has decreased by 36% due to the less new album releases and a shorter accounting period.

Profit/(loss) after tax has increased by 105% due to reduced advertising spending and royalty advances.

Shareholders' deficit has decreased by 1% due to the retained profit for the period.

Current assets as a % of current liabilities have decreased by 45% due to retained profit and a reduction in the balance owed by the parent undertaking.

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 and making further substantial investments in new artists

The directors do not envisage any changes to the company's activities in the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period ended 26 September 2008 were as follows.

J Reid	
R Evers	
D Glick	(Resigned 1 February 2008)
C Tattersfield	(Resigned 1 February 2008)

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

DIRECTORS' REPORT

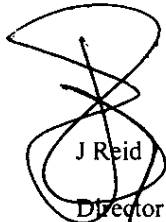
DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

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

On behalf of the Board



J Reid
Director

Date: 16th July 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 1967 Limited

We have audited the company's financial statements for the period 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 12. 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 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 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 profit for the period 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

16/7/09

1967 Limited

PROFIT AND LOSS ACCOUNT for the period ended 26 September 2008

		<i>period ended</i> <i>26 September</i> <i>2008</i>	<i>year ended</i> <i>30 November</i> <i>2007</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	2,027,150	3,182,325
Cost of sales		(1,085,075)	(2,605,902)
GROSS PROFIT		942,075	576,423
Administrative expenses		(771,833)	(2,632,946)
Distribution expenses		(52,946)	(192,469)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	117,296	(2,248,992)
Tax on loss on ordinary activities	6	–	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	11	117,296	(2,248,992)

All activities are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company had no recognised gains or losses other than the profit of £117,296 for the period ended 26 September 2008 and the loss of £2,248,992 for the year ended 30 November 2007.

1967 Limited

BALANCE SHEET
at 26 September 2008

		26 September 2008	30 November 2007
	Notes	£	£
CURRENT ASSETS			
Debtors	7	488,320	943,228
 CREDITORS: amounts falling due within one year	8	(9,676,613)	(10,243,113)
 NET CURRENT LIABILITIES		(9,188,293)	(9,299,885)
 PROVISIONS FOR LIABILITIES AND CHARGES	9	(47,000)	(52,704)
 NET LIABILITIES		(9,235,293)	(9,352,589)
 CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	11	(9,235,393)	(9,352,689)
 EQUITY SHAREHOLDERS' FUNDS	11	(9,235,293)	(9,352,589)

J Reid
Director

Date

16th July 2009

NOTES TO THE FINANCIAL STATEMENTS
at 26 September 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with accounting standards applicable in United Kingdom.

Accounting period

The company previously prepared accounts for either 52 or 53 week periods ending within one week of 30 November. During the period the company changed its accounting reference date, and now prepares accounts for periods ending within one week of 30 September. These accounts are prepared for the 43 week period to 26 September 2008.

Advances paid

Advances paid to artists are charged to the profit and loss account on a payment basis, other than proven artist advances, which are carried forward in debtors.

Royalty income

Credit is taken for royalty income that has been received from or declared by licensees and other parties by the year end.

Royalties payable

Royalties payable are calculated on the basis of the artists' share of the income received by the company after allowing for advances paid.

Foreign currency translation

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

Deferred income

Under the terms of the joint venture agreement, Warner Music UK Limited is responsible for the company's losses. While the company is in a negative retained earnings position a receivable from Warner Music UK Limited and an equal deferred income balance is recognised to reflect Warner Music UK Limited's responsibility for the loss. The deferred income balance represents cumulative losses incurred by the company.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Related parties

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

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 period 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.

NOTES TO THE FINANCIAL STATEMENTS

at 26 September 2008

1. ACCOUNTING POLICIES (Continued)

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.

Going concern

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

2. TURNOVER

Turnover, which is stated net of value added tax, is made up of royalties and advances recouped. The entire turnover originates from a single class of business.

Sales by destination were as follows:

	<i>period ended</i> <i>26 September</i> <i>2008</i> £	<i>year ended</i> <i>30 November</i> <i>2007</i> £
United Kingdom	1,783,112	2,463,860
Rest of World	244,038	718,465
	<u>2,027,150</u>	<u>3,182,325</u>

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

This is stated after charging:

	<i>period ended</i> <i>26 September</i> <i>2008</i> £	<i>year ended</i> <i>30 November</i> <i>2007</i> £
Auditors' remuneration	—	—
Provision releases	(5,704)	—
	<u>(5,704)</u>	<u>—</u>

The parent 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 £7,354 (2007 – £7,354).

NOTES TO THE FINANCIAL STATEMENTS
at 26 September 2008**4. DIRECTORS' EMOLUMENTS**

Certain directors of 1967 Limited also serve as directors for other group undertakings and therefore their emoluments have been excluded as they appear in other group accounts and are not recharged to 1967 Limited.

	<i>period ended</i> <i>26 September</i> <i>2008</i> £	<i>year ended</i> <i>30 November</i> <i>2007</i> £
Emoluments	52,250	313,545
Company contributions paid to defined contribution pension schemes	940	16,710
	<i>No.</i>	<i>No.</i>
Members of defined benefit pension schemes	1	1

The highest paid director received emoluments of £52,250 (2007 – £313,545) and pension contributions of £940 (2007 – £16,710).

5. STAFF COSTS

	<i>period ended</i> <i>26 September</i> <i>2008</i> £	<i>year ended</i> <i>30 November</i> <i>2007</i> £
Wages and salaries	90,632	485,219
Social security costs	9,611	58,696
Other pension costs	5,567	32,329
	105,810	576,244

The average monthly number of employees during the period was 1 (2007 – 6).

NOTES TO THE FINANCIAL STATEMENTS
at 26 September 2008

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

	<i>period ended 26 September 2008</i>	<i>year ended 30 November 2007</i>
	£	£
a) The charge based on the results for the period is as follows:		
<u>Taxation based on the profit/(loss) for the period</u>		
Corporation tax payable at 28.8%	—	—
Total Current Tax Charge	—	—
<u>Deferred tax</u>		
Timing differences, origination and reversal	—	—
Total Deferred Tax	—	—

b) Circumstances affecting current charge

The standard rate of current tax for the period based on the UK standard rate of corporation tax is 28.8%. The current tax charge for the period differs from the standard rate for the reasons in the reconciliation below.

	<i>period ended 26 September 2008</i>	<i>year ended 30 November 2007</i>
	£	£
Profit/(loss) on Ordinary activities before tax	117,296	(2,248,992)
Tax on profit/(loss) on ordinary activities at standard rate	33,782	(674,698)
Factors affecting charge:		
Disallowable expenses	484	10,955
Losses brought forward	(30,907)	—
Deferred tax not recognised	—	663,743
Other timing differences	(3,359)	—
Total Current Tax Charge	—	—

c) Deferred Tax

The company has taxable losses which are available to offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as, based on budgets, the company does not anticipate taxable profits to arise within the immediate future. It is anticipated that the losses will gradually be recovered as the business moves into profit. The estimated value of the deferred tax asset not recognised, measured at a future standard rate of 28% is £2,544,000.

NOTES TO THE FINANCIAL STATEMENTS
at 26 September 2008

7. DEBTORS

	26 September 2008	30 November 2007
	£	£
Amount due from group undertaking	293,742	—
Amount due from associated undertaking	—	522,724
Royalty advances	69,016	233,447
Prepayments and accrued income	87,813	106,678
VAT Recoverable	37,749	80,379
	<u>488,320</u>	<u>943,228</u>

8. CREDITORS: amounts falling due within one year

	26 September 2008	30 November 2007
	£	£
Accruals	441,220	890,424
Deferred income	9,235,393	9,352,689
	<u>9,676,613</u>	<u>10,243,113</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Trading Provisions £
At 1 December 2007	52,704
Released during the period	(5,704)
At 26 September 2008	<u>47,000</u>

Trading provisions comprise royalty audit provisions.

NOTES TO THE FINANCIAL STATEMENTS
at 26 September 2008

10. SHARE CAPITAL

	26 September 2008	30 November 2007
	<i>No.</i>	<i>No.</i>
Authorised: 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
	<i>£</i>	<i>£</i>
Allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i> <i>£</i>	<i>Profit and loss account</i> <i>£</i>	<i>Total share- holders' funds</i> <i>£</i>
At 1 December 2007	100	(9,352,689)	(9,352,589)
Profit for the period	–	117,296	117,296
	<hr/>	<hr/>	<hr/>
At 26 September 2008	100	(9,235,393)	(9,235,293)
	<hr/>	<hr/>	<hr/>

12. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by Warner Music UK 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.