

Parlophone Records Limited

Report and Financial Statements

30 September 2016

Registered No. 00068172

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COMPANIES HOUSE

Parlophone Records Limited

Registered No. 68172

DIRECTORS

C J Ancliff
R D Booker
S V Bergen

SECRETARY

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

REGISTERED OFFICE

Cannon Place
78 Cannon Street
London
EC4N 6AF

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STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2016.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity during the year ended 30 September 2016 was the sale and distribution of recorded music.

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

	2016 £000	2015 £000	Change %
Turnover	105,421	88,582	+19%
Profit after tax	33,761	172,815	-80%
Shareholders' funds	4,030	287,875	-99%

Turnover has increased by 19% for the year ended 30 September 2016 due to increased sales arising from new releases from some of Company's largest artists.

Gross profit has fallen by 11%, there are several reasons behind the decrease in margin this year:

- FY16 sales mix includes a higher proportion of distributed product compared to 2015.
- Higher non recoupable A&R costs driven by classics continued investment in A&R to drive global classical revenues.
- Royalty rates are higher in 2016 compared to 2015, this is driven by a combination of the move to streaming on which higher royalties are paid and also the sales mix.

Profit after tax has decreased by 80% for the year ended 30 September 2016 this is mainly due to the fact that the 2015 results include £190m dividend income, there is no such income in 2016., Interest receivable has increased by 74% mainly driven by the loan with its parent, WMG Finance Limited.

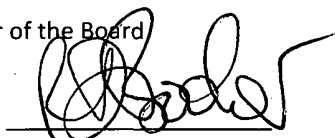
Shareholders' funds have decreased by 99% following a reduction in share capital by special resolution of the board and subsequent dividend payment of £317,605,000.

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.

By order of the Board

Signed



R D Booker (Director)

Cannon Place
78 Cannon Street
London
EC4N 6AF

Date

7 July 2017

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 September 2016.

RESULTS

The profit for the year ended 30 September 2016, after taxation, was £33,761k. A reduction of share capital by £311m was enacted during the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 30 September 2016 were as follows:

C J Ancliff
R D Booker
S V Bergen

There are no directors' interests requiring disclosure under the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITOR

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. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take 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.

DIVIDEND

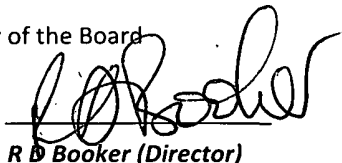
Dividends of £335,605,000 were originally declared and paid on 30 September 2016. Subsequently it was identified that there were insufficient profits available for the distribution, in contravention of the Companies Act 2006. The company then agreed with the shareholder that the payment comprised £317,605,000 as a dividend and £18,000,000 of loan to be recognized as a receivable.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Signed


R D Booker (Director)

Date

7th July 2017

Cannon Place
78 Cannon Street
London
EC4N 6AF

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED

We have audited the financial statements of Parlophone Records Limited for the year ended 30 September 2016, set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006


In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARLOPHONE RECORDS LIMITED CONT'D

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Signed 
Kevin Hall (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

United Kingdom

Date 7 July 2017

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 £000	2015 £000
TURNOVER	2	105,421	88,582
Cost of sales		(67,600)	(46,568)
GROSS PROFIT		<u>37,821</u>	<u>42,014</u>
Administrative expenses		(23,123)	(24,824)
Distribution expenses		(3,087)	(5,710)
OPERATING LOSS	3	<u>11,611</u>	<u>(20,444)</u>
Dividend income		–	190,000
Other Income	6	12,378	–
Impairment of investment		(12,160)	(31,924)
Interest receivable	7	26,240	15,106
Interest payable	8	–	(3,230)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>38,069</u>	<u>181,432</u>
Tax on profit on ordinary activities	9	(4,308)	(8,617)
PROFIT FOR THE YEAR		<u><u>33,761</u></u>	<u><u>172,815</u></u>

All amounts are derived from continuing activities.

OTHER COMPREHENSIVE INCOME

The company had no other comprehensive income for the year ended 30 September 2016 (2015 – £nil).

Notes on pages 9 to 19 form part of these financial statements.

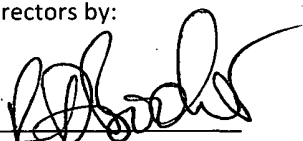
BALANCE SHEET AT 30 SEPTEMBER 2016

	Notes	2016 £000	2015 £000
FIXED ASSETS			
Intangible assets	10	11,151	13,934
Investments	11	6,543	17,289
		<u>17,694</u>	<u>31,223</u>
CURRENT ASSETS			
Cash in bank and in hand		438	–
Debtors (including £2,878,188 (2015: £1,817,000)) due after more than one year	12	78,342	363,877
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	13	(83,370)	(98,140)
NET CURRENT (LIABILITIES)/ASSETS		<u>(4,589)</u>	<u>265,737</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	(9,073)	(9,085)
NET ASSETS		<u>4,031</u>	<u>287,875</u>
CAPITAL AND RESERVES			
Called up share capital	16	2,000	312,605
Profit and loss account	18	2,031	(24,730)
SHAREHOLDERS' FUNDS	18	<u>4,031</u>	<u>287,875</u>

The notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors and were signed on behalf of the Board of Directors by:

Signed


R D Booker (Director)

Cannon Place
78 Cannon Street
London
EC4N 6AF

Date

7 July 2017

STATEMENT OF CHANGES IN EQUITY AT 30 SEPTEMBER 2016

	Share capital £000	Profit and loss account £000	Total £000
At 26 September 2014	312,605	32,453	345,058
Profit and total comprehensive income for the year	—	(17,184)	(17,184)
Dividend paid	—	(230,000)	(230,000)
Dividend received	—	190,000	190,000
At 25 September 2015	312,605	(24,730)	287,875
At 25 September 2015	312,605	(24,730)	287,875
Profit and total comprehensive income for the year	—	33,761	33,761
Reduction in share capital	(310,605)	310,605	—
Dividend paid	—	(317,605)	(317,605)
At 30 September 2016	2,000	2,031	4,031

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

Parlophone Records Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirement of FRS 102. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – The fair value/ previous GAAP revaluation at transition date has been used as deemed cost for fixed assets and intangible assets
- Separate financial instruments – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at transition date

The Company's ultimate parent undertaking includes the Company in its consolidated financial statements, and is considered to be a qualifying entity (for the purposes of this FRS) and has applied has applied the exemptions available under FRS 102 in respect of the following exemptions:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS102 available in respect of:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention.

ACCOUNTING PERIOD

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 September (2015 – 25 September 2015).

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods: revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i.e. on despatch and can be reliably measured. Revenue is measured at fair value after making a provision in respect of expected future returns of goods and services supplied by the Company prior to the balance sheet date.

Royalty, license and other income: revenue is recognised based on the contractual arrangements entered into with third parties, which allow them to exploit the Group's intellectual property in return for a fee. Where the Group is entitled to a fee which is not dependent upon future usage, revenue is recognised when the Group has fulfilled its contractual commitments. Where the fees due to the Group are dependent upon usage, revenue is recognised based upon that usage. Where no reliable basis is available for estimating such usage, revenue is recognised when reported to the Group by third parties.

Interest income is recognised when it has been earned and can be reliably measured.

RELATED PARTIES

The company has taken advantage of the exemption in FRS 102 not to disclose related party transactions with fellow wholly-owned group undertakings.

ARTISTS' ADVANCES

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

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

RETIREMENT BENEFITS

The company operates a defined contribution schemes for its employees. Payments to the defined contribution scheme are charged as an expense as they fall due.

BASIC FINANCIAL INSTRUMENTS

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

PROVISIONS

A provision is recognised in the balance sheet when a Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee.

Royalty audit claims - A provision is made for royalty audit claims when it is considered more likely than not that a successful claim will be made and the likely financial impact can be estimated with reasonable certainty.

ARTIST AUDIT CLAIMS

Provisions are calculated based on management's best estimate of the likely outcome of artist royalty audit claims. This includes the royalty earnings during the audit period and any known issues. Uncertainty arises where sections of the artists' contracts are subject to legal interpretation.

ONEROUS CONTRACTS

Provisions are calculated based on management's best estimate of the likely revenues and costs resulting from contractually committed album releases. This includes advances contractually due to artists as well as the costs associated with an album release. Uncertainty arises from the timing of album delivery and the exact level of costs incurred.

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

INVESTMENTS

Financial assets (excluding trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

Non-financial assets

The carrying amount of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account.

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

2. TURNOVER

Turnover, substantially all of which originates within a single class of business, represents the invoiced amount of goods sold less returns, royalties receivable and fees for other services stated net of valued added tax.

Sales by destination were as follows:

	2016 £000	2015 £000
United Kingdom	45,946	43,857
Rest of the World	59,475	44,725
	<u>105,421</u>	<u>88,582</u>

3. OPERATING LOSS

This is stated after charging:

	2016 £000	2015 £000
Auditors' remuneration	90	92
Exchange gain on foreign currency balances	341	5,399
Impairment of investment	12,160	31,924
	<u>12,591</u>	<u>37,415</u>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Warner Music Group Corp.

4. DIRECTORS' EMOLUMENTS

The directors of the company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not believe that it is practicable to apportion the remuneration between remuneration as directors of the company and remuneration as directors of fellow subsidiary companies. The directors' remuneration is therefore disclosed in the accounts of the subsidiaries that make the remuneration payments.

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

5. STAFF COSTS

	2016 £000	2015 £000
Salaries, Wages and Pension	12,393	10,087
Social security costs	1,371	1,223
	<u>13,764</u>	<u>11,310</u>
Average monthly number of employees, including directors	<u>99</u>	<u>95</u>

6. OTHER INCOME

	2016 £000	2015 £000
Income receivable from asset divestments	12,378	—
	<u>12,378</u>	<u>—</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £000	2015 £000
Interest receivable from group undertakings	26,240	15,106
	<u>26,240</u>	<u>15,106</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Interest payable to group undertakings	—	3,230
	<u>—</u>	<u>3,230</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

9. TAXATION

a. Total tax expense recognised in the profit and loss account

	2016 £000	2015 £000
<i>Current tax</i>		
UK corporation tax on income for the period	5,248	-
Adjustments in respect of prior periods	121	-
Overseas tax suffered	-	-
	<u>5,369</u>	<u>-</u>
<i>Deferred tax</i>		
Origination/ reversal of timing differences	(1,140)	9,493
Impact of change in tax rate	79	(233)
Adjustments in respect of prior periods	-	(643)
	<u>(1,061)</u>	<u>8,617</u>
 Total tax	 <u>4,308</u>	 <u>8,617</u>

The full tax charge for the year is recognised in the Profit and Loss account.

b. Reconciliation of tax charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 20.0% (2015 – 20.5%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2016 £000	2015 £000
Profit before tax for the year	38,069	181,433
	<u>7,614</u>	<u>37,201</u>
Current tax at 20.0% (2015 – 20.5%)		
<i>Factors affecting charge:</i>		
Expenses not deductible for tax purposes	2,511	8,332
Non-taxable income	-	(38,958)
Losses for which no deferred tax asset was recognised	(6,017)	2,918
Change in tax rate impact on deferred tax balances	79	(233)
Adjustment to tax charge in respect of previous periods	121	(643)
	<u>4,308</u>	<u>8,617</u>
Total tax expense included in profit and loss		

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

9. TAXATION (CONTINUED)

c. Tax rate changes

The reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction from 18% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

10. INTANGIBLE FIXED ASSETS

	Catalogue costs £000	Total £000
Cost:		
At 25 September 2015 & 30 September 2016	13,934	13,934
Amortisation:		
At 25 September 2015	-	-
Charged during the period	(2,783)	(2,783)
At 30 September 2016	(2,783)	(2,783)
Net book value:		
At 25 September 2015	13,934	13,934
At 30 September 2016	11,151	11,151

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

11. INVESTMENTS

	Investments £000	Total £000
Cost:		
At 25 September 2015	49,213	49,213
Additions	1,414	1,414
	<hr/>	<hr/>
At 30 September 2016	50,627	50,627
	<hr/>	<hr/>
Amounts provided:		
At 25 September 2015	(31,924)	(31,924)
Charged during the period	(12,160)	(18,703)
	<hr/>	<hr/>
At 30 September 2016	(44,084)	(50,627)
	<hr/>	<hr/>
Net book value:		
At 25 September 2015	17,289	17,289
	<hr/>	<hr/>
At 30 September 2016	6,543	6,543
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

11. INVESTMENTS (CONTINUED)

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Parlophone Music International Services Limited	England and Wales	Ordinary shares	100%	Dormant
Food Limited	England and Wales	Ordinary shares	100%	Dormant
Erato Record Classics Limited	England and Wales	Ordinary shares	100%	Dormant
Music for Pleasure Limited	England and Wales	Ordinary shares	100%	Dormant
Trooper Enterprises Limited	England and Wales	Ordinary shares	75%	Dormant
PLG Germany Classics Limited	England and Wales	Ordinary shares	100%	Record Company
Chrysalis Records International Limited	England and Wales	Ordinary shares	100%	Record Company

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

12. DEBTORS

Amounts falling due within one year:

	2016 £000	2015 £000
Trade debtors	1,109	1,278
Amounts owed by group undertakings	64,098	350,943
Artist advances	10,258	9,769
Income tax receivable	-	70
	<u>75,465</u>	<u>362,060</u>

Amounts falling due after one year:

Deferred tax asset (Note 15)	2,878	1,817
	<u>2,878</u>	<u>1,817</u>

As at 30 September 2016, all amounts owed by fellow group undertakings were due on demand and hence considered to be due within one year. The deferred tax asset is expected to be realised after a year.

13. CREDITORS

Amounts falling due within one year:

	2016 £000	2015 £000
Trade creditors	5,179	7,386
Amounts payable to group undertakings:	7,069	11,787
Royalties payable	53,429	65,195
Accruals and deferred income	12,235	13,608
Group relief payable	5,249	142
Taxation and social security	209	-
Bank overdraft	-	22
	<u>83,370</u>	<u>98,140</u>

All the above are actuals except for accruals and deferred income.

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

14. PROVISION FOR LIABILITIES AND CHARGES

	Onerous Contracts £000	Artist Audit claims £000	Total £000
Provision at 25 September 2015	3,209	5,876	9,085
Utilised during the period	-	(607)	(607)
Released during the period	-	(109)	(109)
Additions during the period	-	704	704
Provisions at 30 September 2016	3,209	5,864	9,073

Onerous Contracts: amounts represent the estimated cost of fulfilling long term contractual commitments to artists.

Artist Audit Claims: amounts represent the estimated cost to arise from claims known at the period end. These are likely to be settled in the short term.

15. DEFERRED TAX

	£000	
At 25 September 2015		(1,817)
Charge to the profit and loss for the year		(1,061)
Adjustment in respect of prior years		-
At 30 September 2016		(2,878)
Deferred tax assets are attributable to the following:		
	2016 £000	2015 £000
Tax losses	1,109	-
Other timing differences	1,769	1,817
	2,878	1,817

In addition to the deferred tax asset above the Company has additional unrecognised gross tax losses of £19.6m (2015: £49.7m). These losses do not expire.

The net deferred tax asset expected to reverse in 2017 is £2.7m. This relates to the reversal of short term timing differences.

NOTES TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016 (CONTINUED)

16. SHARE CAPITAL

	2016	2015
	£	£
<i>Allotted, called up and fully paid:</i>		
312,605,563 ordinary shares of £0.0064 each (2015: £1 each)	2,000,000	312,605,563

On 5th September 2016, by special resolution, the share capital of the Company was reduced by £310,605,563 from £312,605,563 (divided into 312,605,563 ordinary shares of £1 each) to £2,000,000 (divided into 312,605,563 ordinary shares of £0.0064 each) by reducing the nominal value of each share by £0.9936 and re-designating the nominal value of each share from £1.00 to £0.0064.

17. DIVIDEND

Dividends of £335,605,000 were originally declared and paid on 30 September 2016. Subsequently it was identified that there were insufficient profits available for the distribution, in contravention of the Companies Act 2006. The company then agreed with the shareholder that the payment comprised £317,605,000 as a dividend and £18,000,000 of loan to be recognized as a receivable. These financial statements have therefore been prepared on the revised basis.

18. CONTINGENT LIABILITIES

Within the music industry a variety of claims arise from time to time in the normal course of business. Some have little or no foundation in fact or law and others cannot be quantified. Provisions have been made in the financial statements for those claims against the company which the directors consider are likely to result in significant liabilities.

19. RESERVES

Share capital – represents the nominal value of shares that have been issued.

Profits and loss account – includes all current and prior period retained profits and losses.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by WMG Finance Limited (formerly known as PLG Holdco Limited), the immediate parent undertaking.

As at 30 September 2016, Access Industries LLC was the ultimate parent undertaking. Warner Music Group Corp. was 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.