

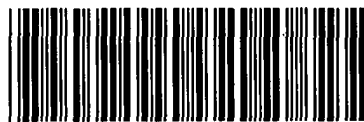
***Warner/Chappell MLM  
Limited***

Registered No. 01598689

**Report and Financial  
Statements**

**30 September 2017**

FRIDAY



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COMPANIES HOUSE

# Warner/Chappell MLM Limited

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Registered No. 01598689

## **DIRECTORS**

MA Lavin

J Smith

M Smith

K Alderton (appointed 22<sup>nd</sup> September 2017)

## **SECRETARY**

Olswang Cossec Limited

## **AUDITOR**

KPMG LLP

15 Canada Square

E14 5GL

## **REGISTERED OFFICE**

Cannon Place

78 Cannon Street

London

EC4N 6AF

# Warner/Chappell MLM Limited

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Registered No. 01598689

## STRATEGIC REPORT

The directors present their strategic report for the year ended 30 September 2017.

## RESULTS AND DIVIDENDS

The results for the period are set out on page 6 to 7. The directors do not propose a dividend for the year ended 30 September 2017 (2017: £nil).

## BUSINESS REVIEW

The company's income is generated by the use of musical compositions in which the copyright is either owned or administered by the company. In respect of the main sources of income, pricing is not set by the company but rather by local legislation and/or collection societies.

The key performance indicators of the company are turnover and profit after tax. Turnover has increased by 1%. Profit after tax has decreased by 9% driven by shift in revenue from performance to mechanical which has a lower margin.

Direct costs comprise mainly the royalty payable to the composers and songwriters whose works generate the turnover. The company's administrative functions are carried out on its behalf by a related company, Warner/Chappell Music Ltd.

Given the nature of its business and the fact that it has no employees, the company considers there to be no key performance indicators directly relating to environmental issues or employee matters.

## RISKS AND UNCERTAINTIES

In general, the company is not subject to any specific risks and uncertainties other than those prevalent in the music publishing market in general. These include the continued threat of unlicensed music usage, the general decline of the physical market and the uncertainty as to the extent to which new digital music platforms can deliver sufficient monetary benefits to music publishers to offset the weakening traditional markets.

As with any business, competitive risks also exist. Traditional competitors such as other major and independent publishers are now joined by new entrants and business models,

### Exposure to price and credit risk

The Company is exposed to price risk in relation to the relationship with external bodies such as local third party collection societies. Mechanical and performance royalties are calculated using rates and distribution rules which have been set by the board of performing rights societies, which directly impact company revenue.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Turnover recognition policy means that the exposure to credit risk is naturally limited, as turnover is generally recognised on a receipt basis as there is no reliable estimate available (see note 1 for turnover recognition policy).

### Exposure to liquidity and cash flow risk

The Company is part of the Warner Music Group, through which its working capital requirements are adequately covered, therefore exposure to liquidity and cash flow risk is minimal.

All risks and uncertainties are regularly monitored by the company's board of directors.

On behalf of the board

Director  
K Alderton



Date: 28/06/2018

## **DIRECTORS' REPORT**

The directors submit their report and financial statements for the year ended 30 September 2017.

## **FUTURE DEVELOPMENTS**

The directors aim to continue the current management policy of maintaining the existing roster.

## **DIRECTORS AND THEIR INTERESTS**

The directors of the company during the period ended 30 September 2017 were as listed on page 1.

At no time during the year did any director have any interest in the shares or debentures of the company or any other group undertaking. The directors of the company have qualifying indemnities against losses or liabilities that are incurred.

## **GOING CONCERN**

The company has a net liability position; however its intermediate parent, WMG Acquisition Corp., 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.

## **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/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the board



Director  
K Alderton

Date: 28/06/2018

**Registered office:**  
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 WARNER/CHAPPELL MLM LIMITED**

### **Opinion**

We have audited the financial statements of Warner Chappell MLM Limited ("the company") for the year ended 30 September 2017 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and related notes including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other information**

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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 or

We have nothing to report in these respects.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARNER/CHAPPELL MLM LIMITED (Continued)

### Directors' responsibilities

As explained more fully in their statement set out on page ~~3~~ 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.



**Kevin Hall (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

28/08/2018

## Warner/Chappell MLM Limited

### PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2017

		<i>12 months to 30 Sep 2017</i>	<i>12 months to 30 Sep 2016</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
<b>TURNOVER</b>	2	20,815	20,673
Cost of sales		(9,123)	(7,798)
<b>GROSS PROFIT</b>		11,692	12,875
Administrative expenses		-	-
<b>OPERATING PROFIT</b>		11,692	12,875
Interest Receivable and Similar Income		-	-
<b>PROFIT BEFORE TAXATION</b>		11,692	12,875
Tax on Profit	5	(2,280)	(2,575)
<b>PROFIT AFTER TAXATION</b>		9,412	10,300

All profits are generated from continuing activities.

There are no other comprehensive income arising other than those recognised in the profit and loss account..

The notes on pages 10 to 12 form part of the financial statements.

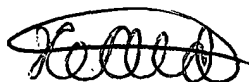


# Warner/Chappell MLM Limited

## BALANCE SHEET at 30 September 2017

	Notes	30 Sep 2017 £	30 Sep 2016 £
CREDITORS: amounts falling due within one year	6	(1,219,096)	(1,228,508)
NET CURRENT LIABILITIES		<u>(1,219,096)</u>	<u>(1,228,508)</u>
NET LIABILITIES		<u>(1,219,096)</u>	<u>(1,228,508)</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		<u>(1,219,196)</u>	<u>(1,228,608)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(1,219,096)</u>	<u>(1,228,508)</u>

The financial statements of Warner/Chappell MLM (registered company number 01598689) were approved and authorised for issue by the board and were signed on its behalf by:



K Alderton  
Director

Date: 28/06/2018

The notes on pages 10 to 12 form part of the financial statements.

# Warner/Chappell MLM Limited

## STATEMENT OF CHANGES IN EQUITY at 30 September 2017

	<i>Called up Share capital</i>	<i>Profit and loss account</i>	<i>Total Equity</i>
	£	£	£
Balance at 1 October 2015	100	(1,238,909)	(1,238,808)
Profit for the financial year	-	10,300	10,300
At 30 September 2016	100	(1,228,608)	(1,228,508)
Profit for the financial year	-	9,412	9,412
At 30 September 2017	100	(1,219,196)	(1,219,096)

## NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2017

### 1. ACCOUNTING POLICIES

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

#### **Basis of Preparation**

The financial statements are prepared on the historical cost basis. They were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The Company's parent undertaking, Warner Music Group Corp., a company incorporated in the United States of America, includes the Company in its consolidated financial statements. The consolidated financial statements of Warner Music Group Corp. are available to the public and may be obtained from 1209 Orange Street, Wilmington, DE 19801, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- 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.

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

#### ***Accounting convention and going concern***

The financial statements are prepared under the historical cost convention, on a going concern basis. The company has a net liability position; however its intermediate parent, WMG Acquisition Corp., 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 reported at the approximate rates of exchange ruling at the date on which they took place. Assets and liabilities in foreign currencies are translated at the year end exchange rate. All differences are taken to the profit and loss account.

#### ***Royalty income***

Credit is taken for royalty income that has been received from users prior to the year end.

#### ***Turnover recognition***

Turnover represents royalty income received, excluding VAT. The majority of domestic society income and overseas royalty income collected by affiliated Warner Chappell companies in other territories, cannot be reliably estimated until it is received, and therefore is credited to the profit and loss account on a receipt basis.

#### ***Basic Financial Instruments***

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.

#### ***Critical accounting judgements and estimation uncertainty***

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# Warner/Chappell MLM Limited

## NOTES TO THE FINANCIAL STATEMENTS at 30 September 2017

### 2. TURNOVER

Turnover represents royalties received, net of VAT.

### 3. AUDITOR'S REMUNERATION

Audit fees of £2,000 (2016: £2,000) have been borne by another group undertaking.

### 4. EMPLOYEES AND DIRECTORS

The company had no employees during the year to 30 September 2017.

The directors of the company are also directors of a number of subsidiaries of the ultimate parent undertaking. The cost is recognised in the accounts of Warner Chappell Music Limited which make the remuneration payments. However, the directors believe that it is practicable to apportion the remuneration between remuneration as directors of the company and their remuneration as directors of the fellow subsidiary companies. The directors' remuneration is therefore disclosed in the notes to the financial statements of the subsidiaries based on qualifying services provided to each subsidiary. The prior year's Directors remuneration has been restated on this basis.

	2017 £	2016 £
Directors' remuneration	847	1,070

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

12 months to 30 Sep 2017	12 months to 30 Sep 2016
£	£

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

#### Current Tax

UK corporation tax on income for the period	2,280	2,575
Total current tax recognised in profit and loss	2,280	2,575

b) Reconciliation of tax charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 19.5% (2016: 20%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

Profit before tax for the year	11,692	12,875
Profit multiplied by the standard rate of tax in the UK of 19.5% (2016: 20%)	2,280	2,575
Factors affecting charge:-		
Group relief received for nil consideration	-	-
Total Current Tax (note 5(a) above)	2,280	2,575

# Warner/Chappell MLM Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2017

### TAX ON PROFIT ON ORDINARY ACTIVITIES (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.

#### d) Deferred tax

The Company had no deferred tax provision at 30 September 2017 (2016: £nil).

### 6. CREDITORS: amounts falling due within one year

	30 Sep 2017	30 Sep 2016
	£	£
Trade creditors	10,802	5,519
Amounts owed to immediate parent undertaking	1,203,490	1,220,414
Group relief payable	4,855	2,575
	<u>1,219,096</u>	<u>1,228,508</u>

### 7. SHARE CAPITAL

	30 Sep 2017	30 Sep 2016
	£	£
Allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

### 8. PARENT UNDERTAKING AND ULTIMATE PARENT UNDERTAKING

Warner/Chappell Music Limited, Cannon Place, 78 Cannon Street London EC4N 6AF, is the company's immediate parent undertaking.

At 30 September 2017, Ai Entertainment Holdings LLC, 2711 Centerville Road, Suite 400, Wilmington, DE 19808, was the ultimate parent undertaking. Warner Music Group Corp., an entity incorporated in the United States of America, 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.