

Warner Chappell MLM Limited
(formerly Warner/Chappell
MLM Limited)

Registered No. 01598689

Report and Financial Statements

30 September 2018



Warner Chappell MLM Limited (formerly Warner/Chappell MLM Limited)

Registered No. 01598689

DIRECTORS

MA Lavin
J Smith
M Smith
K Alderton

SECRETARY

Olswang Cosec Limited

AUDITOR

KPMG LLP
15 Canada Square
E14 5GL

REGISTERED OFFICE

Cannon Place
78 Cannon Street
London
EC4N 6AF

Warner Chappell MLM Limited (formerly Warner/Chappell MLM Limited)

Registered No. 01598689

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 September 2018.

RESULTS AND DIVIDENDS

The results for the period are set out on page 7. The directors do not propose a dividend for the year ended 30 September 2018 (2018: £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.

Turnover grew by 25% in the year to £26,095. This is primarily because during the year, due to information becoming more readily available from the company's various income providers, a more reliable accounting estimate was possible with regards to revenue recognition to more accurately reflect recognising copyright royalties in line with the point at which the relevant copyright is exploited. Refer to note 9 for further details.

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 and the general decline of the physical market although new digital music platforms are now starting to deliver increased monetary benefits to music publishers which significantly offset the weakening traditional markets.

It is too early to assess whether the UK leaving the European Union ("Brexit") will have a material impact on the business. It seems unlikely, however, that British music will cease to be purchased, broadcast or performed in Europe, simply because of the Brexit decision.

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. The company has implemented policies that require appropriate collectability checks on potential customers before sales are made.

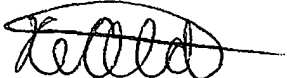
Exposure to liquidity and cash flow risk

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: 21/06/2019



Warner Chappell MLM Limited (formerly Warner/Chappell MLM Limited)

Registered No. 01598689

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 30 September 2018.

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 2018 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

Notwithstanding net current liabilities of £1,207,592 as at 30/09/2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Directors considered the operating nature of the entity where all transactions are conducted with inter-company. Directors also assessed the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Warner Music Group Corp and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Warner Music Group Corp. not seeking repayment of the amounts currently due to the group, which at 30/09/2018 amounted to £1,188,156, and providing additional financial support during that period. Warner Music Group Corp. has indicated its intention to continue to make available such funds as they are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

CHANGE OF COMPANY NAME

On 16 May 2019 the company changed its name from Warner/Chappell Music MLM Limited to Warner Chappell Music MLM Limited.

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: 21/06/2019

Registered office:
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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 are responsible for 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, and 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 (FORMERLY WARNER/CHAPPELL MLM LIMITED)

Opinion

We have audited the financial statements of Warner Chappell MLM Limited (formerly Warner/Chappell MLM Limited) ("the company") for the year ended 30 September 2018 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and related notes including the accounting policies in note 1.

- give a true and fair view of the state of the company's affairs as at 30 September 2018 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read those reports 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion that those report have been prepared in accordance with the Companies Act 2006.

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

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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.

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

26 June 2019

Warner Chappell MLM Limited (formerly Warner/Chappell MLM Limited)

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2018

		<i>12 months to 30 Sep 2018</i>	<i>12 months to 30 Sep 2017</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	26,094	20,815
Cost of sales		(11,891)	(9,123)
GROSS PROFIT		14,203	11,692
OPERATING PROFIT		14,203	11,692
PROFIT BEFORE TAXATION		14,203	11,692
Tax on Profit	5	(2,699)	(2,280)
PROFIT AFTER TAXATION		11,504	9,412

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 2018

	Notes	30 Sep 2018 £	30 Sep 2017 £
CREDITORS: amounts falling due within one year	6	(1,207,592)	(1,219,096)
NET CURRENT LIABILITIES		<u>(1,207,592)</u>	<u>(1,219,096)</u>
NET LIABILITIES		<u>(1,207,592)</u>	<u>(1,219,096)</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		<u>(1,207,692)</u>	<u>(1,219,196)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(1,207,592)</u>	<u>(1,219,096)</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: 21/06/2019

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 2018

	<i>Called up Share capital</i>	<i>Profit and loss account</i>	<i>Total Equity</i>
	£	£	£
Balance at 1 October 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)
Profit for the financial year	-	11,504	11,504
At 30 September 2018	100	(1,207,692)	(1,207,592)

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2018

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 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.

Going Concern

Notwithstanding net current liabilities of £1,207,592 as at 30/09/2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Directors considered the operating nature of the entity where all transactions are conducted with intercompany. Directors also assessed the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Warner Music Group Corp and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Warner Music Group Corp. not seeking repayment of the amounts currently due to the group, which at 30/09/2018 amounted to £1,188,156, and providing additional financial support during that period. Warner Music Group Corp. has indicated its intention to continue to make available such funds as they are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

Turnover recognition

Turnover represents copyright royalties receivable and music publishing administration fees excluding value added tax. Copyright royalties are recognised at the point at which the relevant copyright is exploited. Advances in respect of future revenues are treated as deferred revenue and recognised as revenue when earned.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2018

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. This is particularly true of the change in accounting estimate regarding revenue recognition where estimates of when revenue is earned and amounts are accrued. The £11,644 income accrual is however subject to a low degree of uncertainty as at the yearend due to most of the accruals being replaced with subsequent cash received.

2. Turnover

Turnover represents copyright royalties receivable and music publishing administration fees excluding value added tax. Copyright royalties are recognised at the point at which the relevant copyright is exploited. Advances in respect of future revenues are treated as deferred revenue and recognised as revenue when earned. See note 9 for further details.

3. AUDITOR'S REMUNERATION

Audit fees of £2,000 (2017: £2,000) have been borne by another group undertaking.

4. EMPLOYEES AND DIRECTORS

The company had no employees during the year to 30 September 2018.

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.

	2018 £	2017 £
Directors' remuneration	1,198	847

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	12 months to 30 Sep 2018 £	12 months to 30 Sep 2017 £
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a) The credit based on the results for the year is as follows:

Current Tax

UK corporation tax on income for the period	2,699	2,280
Total current tax recognised in profit and loss	2,699	2,280

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% (2017: 19.5%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

Warner Chappell MLM Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2018

Profit before tax for the year	14,203	11,692
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.5%)	2,699	2,280
Tax on Profit on ordinary activities (continued)		
Total Current Tax (note 5(a) above)	2,699	2,280

c) Tax rate changes

The reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) 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 2017. This will reduce the company's future current tax charge accordingly.

d) Deferred tax

The Company had no deferred tax provision at 30 September 2018 (2017: £nil).

6. CREDITORS: amounts falling due within one year

	30 Sep 2018	30 Sep 2017
	£	£
Trade creditors	11,892	10,802
Amounts owed to immediate parent undertaking	1,188,156	1,203,449
Group relief payable	4,845	4,845
Tax payable	2,699	-
	1,207,592	1,219,096

7. SHARE CAPITAL

	30 Sep 2018	30 Sep 2017
	£	£
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

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 2018, 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.

9. CHANGE IN ACCOUNTING ESTIMATE

During the year, due to information becoming more readily available from the company's various income providers, a more reliable accounting estimate was possible with regards to revenue recognition to more accurately reflect recognising copyright royalties in line with the point at which the relevant copyright is exploited. As a result current year revenue has been increased by £11,644 compared to the previous basis of estimate. This has also given rise to an increase of £6,279 in royalty expenses relating to the accrued income.