# WMIS Limited
Registered No. 01914327

## Report and Financial Statements
24 September 2021

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COMPANIES HOUSE

## Contents

# Company information

### Directors
Paul Robinson
Paul Seyde
Salvatore Monteleone

### Secretary
Olswang Cosec Limited
Cannon Place
78 Cannon Street
London
EC4N 6AF

### Auditor
Ecovis Wingrave Yeats LLP
Waverley House
7-12 Noel Street
London
W1F 8GQ

### Registered Office
Cannon Place
78 Cannon Street
London
EC4N 6AF

# Strategic report

The directors present their Strategic report for the year ended 24 September 2021.

## Principal activity and review of the business

The company's principal activity during the year was the procurement of finished products for associated companies and distance selling of Warner Music Product.

The presentation currency of these Financial Statements is € because the majority of transactions this company engages in are denominated in €.

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

| | 2021 | 2020 | Change |
|---|---|---|---|
| | €000 | €000 | % |
| Turnover | 58,802 | 45,053 | 31% |
| Profit before tax | 854 | 127 | 572% |
| Shareholders' equity | 14,498 | 13,790 | 5% |

The company produced a higher profit before tax for the year. It benefitted from higher gross margins in comparison to prior year, and was able to reduce administrative expenses significantly.

Total assets and liabilities increased in the period due to simultaneous increases in intercompany payable and receivable positions in relation to loan balances held within the group.

## Future developments

The directors expect to continue to make a profit in the future.

## Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate given the following considerations.

Directors considered the operating nature of the entity, including the trading arrangements with affiliated entities, and expectations for the future trading along with 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, at the date of approval of these financial statements, providing additional financial support during that period, and continuing the existing, contracted trading arrangements across the Group. Warner Music Group Corp. has indicated its intention to continue to make available such funds as 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. The directors also have no reason to believe that the trading arrangements with affiliated entities will materially change in the foreseeable future. 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.

## Principal risks and uncertainties

The main risks and uncertainties facing the company, and the group of which it is a part, is that the company is reliant on the supply of finished product from its chosen manufacturers.

The company operates in the market for physical music product (for example CDs and DVDs); any decrease in the demand for finished product will affect the performance and margins of the company. Other principal risks and uncertainties include:

Credit risk - the possibility that customers may be unable to settle amounts due. The directors do not consider the protentional downside significant given the quality of internal credit controls and consistent monitoring performed by Treasury.
Market risk - the possibility of general market decline caused by changes in consumer habits. The directors do consider the potential downside significant given the current upwards trend in music consumption.
Exchange rate risk - the possibility of unfavourable exchange rate fluctuations. The directors do not consider the potential downside significant given the consistent monitoring performed by Treasury who agree favourable rates with external facilities.
Interest rate risk - the company does not have any significant external borrowings and as such the directors consider the interest rate risk to be minimal.

## Effect of the UK exit from EU

Management has been keeping the effect of the UK exit from the EU under regular review.
The majority of the group's business relates to the acquisition of Intellectual Property and then licensing and otherwise exploiting that Intellectual Property physically and digitally in and outside of the UK.
While the group continues to sell physical goods both inside and outside the UK that is a reducing part of the business.

## Impact of COVID-19

Whilst the Company performance has been impacted by the current COVID-19 global pandemic, it continues to be profitable with positive cashflows in the year ended 24 September 2021. The Company therefore has reasonable expectation that it will continue to be profitable with positive cashflows for the next 12 months and beyond.

## Duty to promote the success of the company

The directors define the successful running of the company as supporting the group in achieving its wider long term strategy. The group's long term strategy is to be a sustainable profitable business, maintaining its reputation as the home to an unparalleled family of creative artists and songwriters. The success of the company and group is dependent on positive and effective dealings with all stakeholders and so the directors were mindful of the long term consequences of key commercial decisions made during the year, and determined that these were in the interests of the group's employees, suppliers, customers and other stakeholders, as they were all aligned to the group's growth strategy.

The company's and group's success depends on the company's reputation with customers and other stakeholders being maintained, and so any impact on the community and environment of commercial decisions is considered carefully.

The key decisions taken during the year related to the renegotiation of contracts with key partners to increase the efficiency and streamlining of the supply chain in addition to improvements in stock management.

The company also regularly engages with stakeholders to maintain these important relationships.

The directors confirm that throughout the year they have acted, in good faith, in a way that they consider to be most likely to promote the success of the company and the group for the benefit of its' members as a whole.

Paul Seyde

By order of the Board

Paul Seyde
Director
28 June 2022

**WMIS Ltd**
Cannon Place
78 Cannon Street
London EC4N 6AF

## Duty to promote the success of the company

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Paul Seyde

By order of the Board

Paul Seyde
Director
28 June 2022

**WMIS Ltd**
Cannon Place
78 Cannon Street
London EC4N 6AF

# Directors' report

The directors present their report and financial statements for the year ended 24 September 2021.

## Results and dividends
The profit for the year after taxation amounted to €707,741 (2020 - €91,507). The directors have not made payment of a dividend during the year (2020 – €nil).

## Research and Development
There were no Research and Development costs incurred during the financial year. The company continues to invest in keeping the IT systems and infrastructure up to date whilst striving to streamline operations.

## Financial Instruments
The significant Financial Instruments within the company are Trade Debtors which are measured in line with the company's accounting policies. There are no significant impairments on the Financial Instruments within these Financial Statements.

## Directors
The directors who held office during the year were as follows:

Paul Robinson
Paul Seyde
Salvatore Monteleone

## Employees
The company employed no staff during the year (2020 - nil).

## Engagement with suppliers, customers and others in a business relationship with the Company
The company maintains strong relationships with customers and suppliers locally and overseas through ongoing communication and engagement. Due diligence measures are taken when engaging new customers and suppliers to ensure compliance with our anti-corruptions and anti-bribery policies. The company endeavours to pay suppliers in a timely manner in line with the internal policy and specific contract terms and conditions.

## Political contributions
The company made no political donations or incurred any political expenditure during the year.

## Statement of corporate governance arrangements
The company has engaged external consultants to build and develop on the Corporate Governance framework with actions taken as a result.

## Greeenhouse gas emissions and energy consumption
The company employs no staff and so does not report on greenhouse gas emissions or energy consumption from an employee framework per UK Government guidelines.
At a Corporate level, a wide-ranging ESG review was started at the beginning of FY21 which includes an assessment of the impact of the company's external Supply Chain.
The company expects to be able to provide a further update on the impacts and measures that will be taken once the ESG reports its findings & recommendations in full.

## Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Other Information

An indication of likely future developments in the business and other particulars of significant events which have occurred since the end of the financial year have been included in the strategic report on pages 2-3.

**Auditor**

Ecovis Wingrave Yeats LLP
Chartered Accountants & Statutory auditor
3rd Floor, Waverley House
7-12 Noel Street
London
W1F 8GQ

Paul Seyde

By order of the Board

**WMIS Ltd**
Cannon Place
78 Cannon Street
London EC4N 6AF

Paul Seyde
Director
28 June 2022

## 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 WMIS Limited

## Opinion

We have audited the financial statements of WMIS Limited ("the company") for the year ended 24 September 2021, which comprise the Profit and loss account and Other comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial rpeorting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 24 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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;
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

## Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

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 an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a 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 these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We determined that the laws and regulations which are directly relevant to the financial statements are those that relate to the reporting framework Financial Reporting Standard 102 and the relevant tax compliance regulations in the jurisdictions in which the Company operates. We evaluated the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- In addition, there are other significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements. For these laws and regulations, the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through fines or litigation being imposed.
- As required by the auditing standards, auditing procedures in respect of non-compliance with these identified laws and regulations are limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with a number of individuals, including with individuals outside of the finance function, and conducted interviews to understand where they considered there was susceptibility to fraud. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to areas of estimate and judgement in the financial statements.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and fraud risks identified in the paragraphs above. In addition to the audit procedures, we remained alert to any indications of non-compliance throughout the audit. The specific audit procedures performed included reviewing large and unusual bank transactions and identifying and testing journal entries.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

### Use of our report

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.

*Jessica Teague*

**Jessica Teague (Senior Statutory Auditor)**
**for and on behalf of**
**Ecovis Wingrave Yeats LLP**
*Chartered Accountants & Statutory Auditor*
3rd Floor, Waverley House
7-12 Noel Street
London
W1F 8GQ

28 June 2022

## Profit and loss account

for the year ended 24 September 2021

| | *Notes* | *2021* *€000* | *2020* *€000* |
|---|---|---|---|
| Turnover | 2 | 58,802 | 45,053 |
| Cost of sales | | (54,688) | (42,665) |
| **Gross Profit** | | **4,114** | **2,388** |
| Distribution costs | | (3,252) | (2,127) |
| Administrative expenses | | (168) | (776) |
| Other operating income | | 404 | 618 |
| **Operating Profit** | 3 | **1,098** | **103** |
| Interest payable and similar expenses | 5 | (1,507) | (1,122) |
| Other interest receivable and similar income | 6 | 1,263 | 1,146 |
| **Profit on ordinary activities before taxation** | | **854** | **127** |
| Tax on profit or loss on ordinary activities | 7 | (146) | (35) |
| **Profit for the financial year** | | **708** | **92** |

All amounts relate to continuing activities.

**Other Comprehensive Income**

The company had no other comprehensive income for the year ended 24 September 2021 (2020 - €nil).

The notes on pages 14-19 form an integral part of these financial statements.

# Balance sheet
at 24 September 2021

| | Notes | 2021 €000 | restated 2020 €000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 8 | - | - |
| **Current Assets** | | | |
| Stocks | 9 | 15,413 | 13,586 |
| Debtors | 10 | 91,264 | 83,810 |
| Cash at bank and in hand | | 1,519 | 74 |
| | | 108,196 | 97,470 |
| **Current Liabilities** | | | |
| Creditors - amounts falling due within one year | 11 | (93,698) | (83,680) |
| **Net Current Assets** | | **14,498** | **13,790** |
| **Net Assets** | | **14,498** | **13,790** |
| **Capital and Reserves** | | | |
| Called up share capital | 13 | - | - |
| Share Premium | 13 | 23,780 | 23,780 |
| Profit and loss account | | (9,282) | (9,990) |
| **Shareholders' Equity** | | **14,498** | **13,790** |

These financial statements were approved by the Board of Directors on 28 June 2022 and were signed on their behalf.

The notes on pages 14-19 form an integral part of these financial statements.

Paul Seyde

By order of the Board

Paul Seyde
Director
28 June 2022

**WMIS Ltd**
Cannon Place
78 Cannon Street
London EC4N 6AF
Registered No. 01914327

## Statement of changes in equity

at 24 September 2021

| | *Share capital* | *Share Premium* | *Profit and loss account* | *Total shareholders' funds* |
|---|---|---|---|---|
| | *€000* | *€000* | *€000* | *€000* |
| Balance at 27 September 2019 | - | 23,780 | (10,082) | 13,698 |
| Profit for the year | - | - | 92 | 92 |
| Balance at 25 September 2020 | - | 23,780 | (9,990) | 13,790 |
| Profit for the year | - | - | 708 | 708 |
| Balance at 24 September 2021 | - | 23,780 | (9,282) | 14,498 |

The notes on pages 14-19 form an integral part of these financial statements.

# Notes to the financial statements
at 24 September 2021

## 1 Accounting policies
WMIS Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

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"). All amounts in the financial statements have been rounded to the nearest €1,000. The presentation currency of these Financial Statements is € because the majority of transactions this company engages in are denominated in €.

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 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.

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.

This information is included in the consolidated financial statements of Warner Music Corp Group., a company incorporated in the United States of America, as at 30 September 2021 and these financial statements may be obtained from 1209 Orange Street, Wilmington, DE 19801, USA. 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 and in accordance with applicable accounting standards.

### Accounting period
The company prepares financial statements for either 52 or 53 week periods ending within one week of 30 September. For 2020 the period end is 24 September 2021.

### Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate given the following considerations.

Directors considered the operating nature of the entity, including the trading arrangements with affiliated entities, and expectations for the future trading along with 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, at the date of approval of these financial statements, providing additional financial support during that period, and continuing the existing, contracted trading arrangements across the Group. Warner Music Group Corp. has indicated its intention to continue to make available such funds as 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. The directors also have no reason to believe that the trading arrangements with affiliated entities will materially change in the foreseeable future. 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.

### Tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|---|---|
| Plant and machinery | over 3-5 years |

The carrying value of tangible fixed assets is reviewed for impairment in years if events or change in circumstance indicate the carrying value may not be fully recoverable.

### Foreign currencies

Transactions arising in foreign currencies are translated at the approximate rates ruling on the dates on which the transactions took place. All differences are taken to the profit and loss account.

### Stocks

Stocks are stated at the lower of cost, (being invoiced purchase price plus attributable freight costs), and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

### Stock Provision

Management records a provision for slow moving and obsolete stock. Management have devised a methodology to provide for stock which considers multiple factors including, the age of the stock item, consumer demand, changes to the Company's sale price strategy and changes in technology. Further to this methodology, management do review stock held and will provide for further items where necessary.

### Revenue Recognition

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.
**Other income:** revenue is recognised based on the contractual arrangements entered into with the Group.

### Trade debtor recoverability

Management applies judgement when estimating the recoverable value of trade debtors. When assessing recoverability management considers factors including the aging profile of the debtors and historical experience of recovering aged balances.

## 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Related Party Transactions

The company has taken advantage of the exemption available under FRS 102 not to disclose details of transactions between fellow wholly-owned group undertakings.

## 2 Turnover

Turnover, which is stated net of value added tax and trade discounts, originates from a single class of business.

| | *2021* | *2020* |
|---|---|---|
| | *€000* | *€000* |
| United Kingdom | 9,919 | 8,794 |
| Rest of world | 48,883 | 36,259 |
| | 58,802 | 45,053 |

## 3 Expenses and Auditors Remuneration

| | *2021* | *2020* |
|---|---|---|
| Included in profit/(loss) are the following | *€000* | *€000* |
| Auditors' remuneration - audit services | 16 | 10 |
| Depreciation of tangible fixed assets | 0 | 0 |
| Foreign exchange gain/(loss) | 212 | (282) |

## 4 Other Operating Income

Income from Warner Music International Services Limited in relation to a Management Service Fee that represents the one-time costs and charges of the BCP and warehouse move, thus ensuring those entities within the group that received the benefit of the stable warehouse bear the cost.

| | *2021* | *2020* |
|---|---|---|
| | *€000* | *€000* |
| Management Service Fee | 404 | 618 |
| | 404 | 618 |

## 5 Interest Payable and similar expenses

| | *2021* | *2020* |
|---|---|---|
| | *€000* | *€000* |
| Interest payable to group undertakings | (1,507) | (1,122) |
| | (1,507) | (1,122) |

## 6 Other Interest Receivable and similar income

| | 2021 | 2020 |
|---|---|---|
| | *€000* | *€000* |
| Interest receivable from group undertakings | 1,263 | 1,146 |
| | 1,263 | 1,146 |

## 7 Taxation on Ordinary Activities

(a) Total tax expense recognised in the profit and loss account:

| | 2021 | 2020 |
|---|---|---|
| *Current tax* | *€000* | *€000* |
| UK corporation tax on income for the period | 150 | 9 |
| Adjustments in respect of prior periods | 2 | 19 |
| Total current tax | 152 | 28 |
| | | |
| *Deferred tax* | | |
| Origination/reversal of timing differences | 12 | 15 |
| Impact of change in tax rate | (18) | (8) |
| Total deferred tax | (6) | 7 |
| | | |
| Total tax | 146 | 35 |

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 19% (2020: 19%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

| | 2021 | 2020 |
|---|---|---|
| *Current tax reconciliation* | *€000* | *€000* |
| Profit on ordinary activities before tax | 854 | 574 |
| | | |
| Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%) | 162 | 109 |
| | | |
| *Factors affecting charge:* | | |
| Change in tax rate on deferred tax balances | (18) | (1) |
| Adjustment to tax charge in respect of previous periods | 2 | (407) |
| Total tax expense included in profit and loss | 146 | (299) |

*(c) Tax Rate Changes*

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, the UK deferred tax asset as at 24 September 2021 has been calculated based on this rate. This will also have a consequential effect on the Company's future tax charge.

## 8 Tangible Fixed Assets

| | *Plant, machinery, furniture and equipment* |
|---|---|
| **Cost:** | *€000* |
| At 25 September 2020 | 1,546 |
| Additions | - |
| At 24 September 2021 | 1,546 |
| | |
| **Depreciation:** | |
| At 25 September 2020 | 1,546 |
| Depreciation charge for the year | - |
| At 24 September 2021 | 1,546 |
| | |
| **Net book value:** | |
| At 24 September 2021 | - |
| At 25 September 2020 | - |

## 9 Stocks

| | *2021* | *2020* |
|---|---|---|
| | *€000* | *€000* |
| Finished goods | 29,087 | 25,470 |
| Obsolescence provision | (13,674) | (11,884) |
| | 15,413 | 13,586 |

Finished goods and work in progress recognised in cost of sales amounted to €53.8m (2020: €42.1m). Finished goods at the balance sheet date includes €9.8m of stock which is 100% provided for in the Obsolescence provision, and for which the company bears no risk as a result of its intercompany agreements (2020: €7.7m).

## 10 Debtors

| | *2021* | *restated 2020* |
|---|---|---|
| | *€000* | *€000* |
| Trade debtors | 3,515 | 5,993 |
| Amounts owed by group undertakings | 85,020 | 74,165 |
| Deferred tax asset | 73 | 68 |
| VAT recoverable | 2,002 | 1,134 |
| Prepayments and accrued income | 654 | 2,450 |
| | 91,264 | 83,810 |

One of the amounts owed by group undertakings bears interest of 2% per annum. The loan is unsecured and repayable on demand. Except for the loan above, all other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## 11 Creditors

| | 2021 €000 | restated 2020 €000 |
|---|---|---|
| Trade creditors | 6,812 | 3,459 |
| Amounts owed to group undertaking | 79,347 | 69,571 |
| Accruals | 5,061 | 6,589 |
| Group relief payable | 159 | 100 |
| VAT payable | 1,332 | 583 |
| Deferred income | 987 | 3,378 |
| | 93,698 | 83,680 |

One of the amounts owed to group undertakings bears interest of 2.6% per annum. The loan is unsecured and repayable on demand. Except for the loan above, all other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 12 Deferred tax assets and liabilities

| | 2021 €000 | 2020 €000 |
|---|---|---|
| At beginning of year | (68) | (75) |
| Charge/credit to the profit and loss for the year | (5) | 7 |
| At end of year | (73) | (68) |

| Deferred tax (liabilities)/assets are attributable to the following: | 2021 €000 | 2020 €000 |
|---|---|---|
| Difference between accumulated depreciation and capital allowances | (73) | (68) |
| | (73) | (68) |

There are no unused tax losses or unused tax credits.

## 13 Issued Share Capital

| | | 2021 | | 2020 |
|---|---|---|---|---|
| *Allotted, called up and fully paid* | *No.* | *€* | *No.* | *€* |
| Ordinary shares of £1 each | 3 | 4 | 3 | 4 |

## 14 Ultimate parent undertaking and controlling party

The company is 100% owned by Warner Music International Services Limited, the immediate parent undertaking.

On 24 September 2021 AI Entertainment Holdings LLC, a company incorporated in Delaware in the United States of America, was the ultimate parent undertaking. Warner Music Group Corp. was the parent undertaking of the smallest and largest 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.

## 15 Prior year restatements

In the prior year, there were bank balances incorrectly presented in Debtors as opposed to Cash and cash equivalents, resulting in Debtors being overstated and Cash and cash equivalents being understated by €21,037. The prior year Cash and cash equivalents and Debtors notes have been restated this year to correct this. This prior year restatement does not have an impact on the P&L.

In the prior year, the VAT recoverable amounts were offset against VAT liabilities and therefore both Debtors and Creditors were understated by €583,000. The prior year Debtor and Creditor notes have been restated this year to correct this. This prior year restatement does not have an impact on the P&L.