

***Warner/Chappell TM
Limited***

Registered No. 03690255

**Report and Financial
Statements**

30 September 2016

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COMPANIES HOUSE

Warner/Chappell TM Limited

Registered No. 03690255

DIRECTORS

JR Manners (resigned 21st April 2016)

MA Lavin

J Smith

M Smith (appointed 22nd December 2016)

SECRETARY

Olswang Cosec Limited

AUDITOR

KPMG LLP

15 Canada Square

E14 5GL

REGISTERED OFFICE

Cannon Place

78 Cannon Street

London

EC4N 6AF

Warner/Chappell TM Limited

Registered No. 03690255

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 September 2016

RESULTS AND DIVIDENDS

The results for the year are set out on page 7. The directors do not propose a dividend in the year ended 30 September 2016 (2015 - £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.

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.

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Turnover	67,576	72,814	-7%
Operating profit	5,416	8,046	-33%

Turnover has decreased by 7% due to the continued decline in physical product sales. Operating profit has decreased by 33%, largely driven by the decline in turnover.

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

The company is not subject to any specific risks and uncertainties other than those prevalent in the music publishing market in general. All risks and uncertainties are regularly monitored by the company's board of directors.

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. Details of the company's debtors are shown in note 6 to the financial statements. 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 cash pooling arrangement, through which its working capital requirements are adequately covered, therefore exposure to liquidity and cash flow risk is minimal.

On behalf of the board

Director
MA Lavin

Date: 30 June 2017

DIRECTOR'S REPORT

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

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, its financial position and its exposures to price, credit and liquidity are described above. The company has considerable financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, 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 annual report and accounts.

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 year ended 30 September 2016 were as listed on page 2. 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.

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.

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.

On behalf of the board



Director
MA Lavin

Date: 30 June 2017

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 TM LIMITED

We have audited the financial statements of Warner / Chappell TM Limited for the year ended 30 September 2016 set out on pages 7 to 13. 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 5, 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.

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.



Kevin Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
30/06/17

Warner/Chappell TM Limited

Registered No. 03690255

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		<i>12 months to 30 Sep 2016</i>	<i>12 Months to 30 Sep 2015</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	67,576	72,814
Cost of sales		(62,160)	(64,768)
GROSS PROFIT		5,416	8,046
Administrative expenses		-	-
OPERATING PROFIT		5,416	8,046
Other Interest Receivable and Similar Income		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,416	8,046
Tax on profit on ordinary activities	5	(1,083)	-
PROFIT FOR THE FINANCIAL YEAR		4,333	8,046

All profits are generated from continuing operations.

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

The notes on pages 10 to 13 form part of these financial statements.

Warner/Chappell TM Limited

BALANCE SHEET AT 30 SEPTEMBER 2016

	Notes	30 Sep 2016 £	30 Sep 2015 £
CURRENT ASSETS			
Debtors	6	135,225	129,612
Cash at bank		-	-
CREDITORS: amounts falling due within one year	7	(85,420)	(84,140)
NET CURRENT ASSETS		<u>49,805</u>	<u>45,472</u>
NET ASSETS		<u>49,805</u>	<u>45,472</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account		49,705	45,372
EQUITY SHAREHOLDERS' FUNDS		<u>49,805</u>	<u>45,472</u>

The financial statements of Warner TM Music Limited (registered company number 03690255) were approved and authorised for issue by the board and were signed on its behalf by:

Maurice A. Lavin

M A LAVIN
Director

30 June 2017
Date

The notes on pages 10 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AT 30 SEPTEMBER 2016

	<i>Share capital</i>	<i>Called up and loss account</i>	<i>Profit Total Equity</i>
Balance at 1 October 2014	100	37,326	37,426
Profit for the financial year	-	8,046	8,046
At 30 September 2015	<u>100</u>	<u>45,372</u>	<u>45,472</u>
Profit for the financial year	-	4,333	4,333
At 30 September 2016	<u>100</u>	<u>49,705</u>	<u>49,805</u>

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the accounting period, 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") as issued in August 2015. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's parent undertaking, Warner Music Group Corp., a company incorporated in the USA, 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

Given that the company is profit making and in a net asset position, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse. Deferred tax balances are not discounted.

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.

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

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less 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.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment. Income from joint ventures is recognised in the company's profit and loss account on the basis of dividends received and receivable.

2. TURNOVER

Turnover represents royalties received and relates to the following geographical areas:

	<i>12 months to 30 September 2016 £</i>	<i>12 months to 30 September 2015 £</i>
United Kingdom	359	121
Rest of the World	67,217	72,693
Total Turnover	<u>67,576</u>	<u>72,814</u>

3. AUDITOR'S REMUNERATION

Audit fees of £2,000 are borne by another group undertaking (2015:£1,000).

4. EMPLOYEES AND DIRECTORS

The company had no employees during the year to 30 September 2016. No remuneration was paid to any of the 3 directors during the year (2015 – £nil).

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 their remuneration as directors of the fellow subsidiary companies. The directors' remuneration is therefore disclosed in the accounts of the subsidiaries that make the remuneration payments.

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

	<i>12 months to 30 Sep 2016 £</i>	<i>12 months to 30 Sep 2015 £</i>
a) The charge based on the results for the accounting period is as follows:		
<u>Taxation based on the profit for the accounting period</u>		
Corporation tax payable	1,083	-
Total Current Tax Charge	<u>1,083</u>	<u>-</u>

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (CONTINUED)

b) Circumstances affecting current charge

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.

The prior year tax charge for the year differs from the standard rate for reasons in the reconciliation below:

Profit on Ordinary activities before tax	5,416	8,046
Tax on profit on ordinary activities at standard rate 20% (2015: 20.5%)	1,083	1,650
Group relief received for nil consideration	-	(1,650)
Total Current Tax (note 5(a) above)	1,083	-

c) The Company had no deferred tax provision at 30 September 2016 (2015: £nil).

6. DEBTORS

	30 Sep 2016 £	30 Sep 2015 £
Amounts owed by related undertakings	135,225	129,612
	135,225	129,612

7. CREDITORS: amounts falling due within one year

	30 Sep 2016 £	30 Sep 2015 £
Trade creditors	84,337	84,140
Taxation and social security	1,083	-
	85,420	84,140

8. SHARE CAPITAL

	30 Sep 2016 £	30 Sep 2015 £
Allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100

9. 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 2016, 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.

10. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.

In preparing its FRS 102 balance sheet, the Company has not needed to adjust amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).