

***Warner/Chappell TM
Limited***

Registered No. 03690255

**Report and Financial
Statements**

30 September 2017

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COMPANIES HOUSE

Warner/Chappell TM Limited

Registered No. 03690255

DIRECTORS

MA Lavin

J Smith

M Smith

K Alderton (appointed 22nd 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 TM Limited

Registered No. 03690255

STRATEGIC REPORT

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

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 2017 (2016 - £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.

Turnover has increased by 43% due to an increase in performance monies. Operating profit has increased as a result of an aged audit provision released during the year.

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. 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.

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 
K Alderton

Date: 28/06/2018

Warner/Chappell TM Limited

Registered No. 03690255

DIRECTOR'S REPORT

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

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.

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.

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 2017 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. The directors of the company have qualifying indemnities against losses or liabilities that are incurred.

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;
- 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.

Warner/Chappell TM Limited

Registered No. 03690255

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARNER/CHAPPELL TM LIMITED

Opinion

We have audited the financial statements of Warner/Chappell TM 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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page ~~3-4~~⁵, 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

28/06/2018

Warner/Chappell TM Limited

Registered No. 03690255

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>
TURNOVER	2	96,526	67,576
Cost of sales		(87,525)	(62,160)
GROSS PROFIT		8,998	5,416
Other income	9	92,596	-
OPERATING PROFIT		101,594	5,416
PROFIT BEFORE TAXATION		101,594	5,416
Tax on profit	5	(19,815)	(1,083)
PROFIT AFTER TAXATION		81,779	4,333

All profits are generated from continuing operations.

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

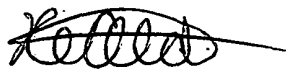
The notes on pages 11 to 15 form part of these financial statements.

Warner/Chappell TM Limited

BALANCE SHEET AT 30 SEPTEMBER 2017

	Notes	30 Sep 2017 £	30 Sep 2016 £
CURRENT ASSETS			
Debtors	6	152,483	135,225
CREDITORS: amounts falling due within one year	7	-(20,899)	(85,420)
NET CURRENT ASSETS		<u>131,584</u>	<u>49,805</u>
NET ASSETS		<u>131,584</u>	<u>49,805</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account		131,484	49,705
EQUITY SHAREHOLDERS' FUNDS		<u>131,584</u>	<u>49,805</u>

The financial statements of Warner/Chappell TM Music Limited (registered company number 03690255) 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 11 to 14 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AT 30 SEPTEMBER 2017

	<i>Share capital</i>	<i>Called up and loss account</i>	<i>Profit Total Equity</i>
Balance at 1 October 2015	100	45,372	45,472
Profit for the financial year	-	4,333	4,333
At 30 September 2016	<u>100</u>	<u>49,705</u>	<u>49,805</u>
Profit for the financial year	-	81,779	81,779
At 30 September 2017	<u>100</u>	<u>131,484</u>	<u>131,584</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"). 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 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.

Impairment excluding deferred tax assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. TURNOVER

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

	12 months to 30 September 2017 £	12 months to 30 September 2016 £
United Kingdom	380	359
Rest of the World	96,146	67,217
Total Turnover	<u>96,526</u>	<u>67,576</u>

3. AUDITOR'S REMUNERATION

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

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	450	652

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

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

a) The charge based on the results for the accounting period is as follows:

Taxation based on the profit for the accounting period

Corporation tax payable	19,815	1,083
Total Current Tax Charge	19,815	1,083

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

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	101,594	5,416
Tax on profit on ordinary activities at standard rate 19.5% (2016: 20%)	19,815	1,083
Total Current Tax (note 5(a) above)	19,815	1,083

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

6. DEBTORS

30 Sep 2017 30 Sep 2016
£ £

Amounts owed by related undertakings	152,483	135,225
	152,483	135,225

7. CREDITORS: amounts falling due within one year

30 Sep 2017 30 Sep 2016
£ £

Trade creditors	-	84,337
Group relief payable	20,898	1,083
	20,898	85,420

8. 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>

9. OTHER INCOME

Management have assessed the audit provision held as at year end and decided to release this aged audit provision as it is no longer deemed necessary.

	£	£
Other income	92,596	-
	<u>92,596</u>	<u>-</u>

10. 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.