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Report and Financial Statements

1967 Limited

25 September 2009

THURSDAY



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13/05/2010
COMPANIES HOUSE

1967 Limited

Registered No 04618039

DIRECTORS

J Reid
R Evers

SECRETARY

Olswang Cosec Limited
90 High Holborn
London
WC1V 6XX

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

REGISTERED OFFICE

90 High Holborn
London
WC1V 6XX

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 25 September 2009

REVIEW AND DIVIDENDS

The profit for the year, after tax, amounted to £89,000 (2008 – profit £117,000) The directors do not recommend the payment of a dividend

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was the sale and distribution of recorded music

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

	2009 £000	2008 £000	Change %
Turnover	1,325	2,027	-35%
Profit after tax	89	117	-24%
Shareholders' deficit	(9,146)	(9,235)	-1%

Turnover has decreased by 35% due to the less new album releases

Profit after tax has decreased by 24% due to reduced turnover

Shareholders' deficit has decreased by 1% due to the retained profit for the year

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties facing the company relate to the speed with and extent to which new digital revenue streams replace traditional income based on physical (mainly CD) sales

FUTURE DEVELOPMENTS

The directors aim to continue the current management policy of maintaining the existing roster and making further substantial investments in new artists

The directors do not envisage any changes to the company's activities in the foreseeable future

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 25 September 2009 were as follows

J Reid
R Evers

There are no directors' interests requiring disclosure under the Companies Act 2006

DISCLOSURE OF INFORMATION TO THE AUDITORS

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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

DIRECTORS' REPORT

RE-APPOINTMENT OF AUDITORS

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

By order of the board

J Reid

Director

Date



10/5/10

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 profit or loss of the company for that year. In preparing those 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 proper 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT
to the members of 1967 Limited

We have audited the financial statements of 1967 Limited for the year ended 25 September 2009, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditors' 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 auditors

As explained more fully in the Statement of Directors' Responsibilities on page 4, the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the company's affairs as at 25 September 2009 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.

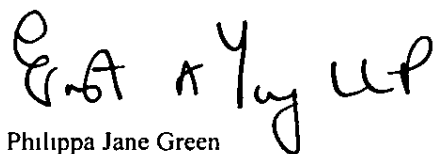
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

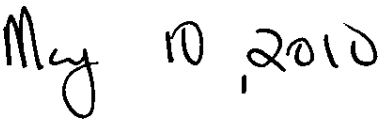
Matters on which we are required to report by exception

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 by the company, 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 or directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Philippa Jane Green
Ernst & Young LLP
Registered Auditor
London



1967 Limited

PROFIT AND LOSS ACCOUNT for the year ended 25 September 2009

		<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>period ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
	<i>Notes</i>		
TURNOVER	2	1,325	2,027
Cost of sales		(859)	(1,085)
GROSS PROFIT		466	942
Administrative expenses		(338)	(772)
Distribution expenses		(39)	(53)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	89	117
Tax on loss on ordinary activities	6	–	–
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	89	117

All activities are continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company had no recognised gains or losses other than the profit of £89,000 for the year ended 25 September 2009 and the loss of £117,000 for the period ended 26 September 2008

1967 Limited

BALANCE SHEET
at 25 September 2009

		25 September 2009	26 September 2008
	Notes	£000	£000
CURRENT ASSETS			
Debtors	7	133	488
CREDITORS amounts falling due within one year	8	(9,254)	(9,676)
NET CURRENT LIABILITIES		<u>(9,121)</u>	<u>(9,188)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	9	(25)	(47)
NET LIABILITIES		<u>(9,146)</u>	<u>(9,235)</u>
CAPITAL AND RESERVES			
Called up share capital (£100)	10	—	—
Profit and loss account	11	(9,146)	(9,235)
EQUITY SHAREHOLDERS' FUNDS	11	<u>(9,146)</u>	<u>(9,235)</u>

J Reid
Director

Date

10/5/10

NOTES TO THE FINANCIAL STATEMENTS
at 25 September 2009

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with accounting standards applicable in United Kingdom

Accounting period

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 September. The company previously prepared accounts for either 52 or 53 week periods ending within one week of 30 November. During the 2008 the company changed its accounting reference date, and now prepares accounts for periods ending within one week of 30 September for consistency with the rest of the Warner Music group. The 2008 period was for the 43 week period to 26 September 2008.

Advances paid

Advances paid to artists are charged to the profit and loss account on a payment basis, other than proven artist advances, which are carried forward in debtors.

Royalty income

Credit is taken for royalty income that has been received from or declared by licensees and other parties by the year end.

Royalties payable

Royalties payable are calculated on the basis of the artists' share of the income received by the company after allowing for advances paid.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Deferred income

Under the terms of the joint venture agreement, Warner Music UK Limited is responsible for the company's losses. While the company is in a negative retained earnings position a receivable from Warner Music UK Limited and an equal deferred income balance is recognised to reflect Warner Music UK Limited's responsibility for the loss. The deferred income balance represents cumulative losses incurred by the company.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Related parties

The company has taken advantage of the exemption in FRS 8 not to disclose details of transactions between fellow wholly-owned group undertakings.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 Revised ("FRS1") A cash flow statement has not been prepared because as at the year end the company was a wholly owned subsidiary of Warner Music Group Corp, a company incorporated in The United States of America, which prepares a group cash flow.

NOTES TO THE FINANCIAL STATEMENTS
at 25 September 2009**1. ACCOUNTING POLICIES (Continued)*****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.

Going concern

The financial statements are prepared on the going concern basis because Warner Music International Services Limited has committed to provide financial support to the company to enable it to meet its debts as they fall due, for the foreseeable future.

2. TURNOVER

Turnover, which is stated net of value added tax, is made up of royalties and advances recouped. The entire turnover originates from a single class of business.

Sales by destination were as follows:

	<i>year ended</i> <i>25 September</i>	<i>period ended</i> <i>26 September</i>
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	1,019	1,783
Rest of World	306	244
	<u>1,325</u>	<u>2,027</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	<i>year ended</i> <i>25 September</i>	<i>period ended</i> <i>26 September</i>
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Provision releases	(22)	(6)
	<u>(22)</u>	<u>(6)</u>

The parent company Warner Music UK Limited pays the auditors' remuneration for all the group companies and recharges a proportion of it to the group companies. The amount recharged in respect of audit fees was £8,000 (2008 – £7,000).

NOTES TO THE FINANCIAL STATEMENTS
at 25 September 2009**4. DIRECTORS' EMOLUMENTS**

Certain directors of 1967 Limited also serve as directors for other group undertakings and therefore their emoluments have been excluded as they appear in other group accounts and are not recharged to 1967 Limited

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>period ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
Emoluments	–	52
Company contributions paid to defined contribution pension schemes	–	1
	<i>No</i>	<i>No</i>
Members of defined benefit pension schemes	–	1

The highest paid director received emoluments of £Nil (2008 – £52,000) and pension contributions of £Nil (2008 – £1,000)

5. STAFF COSTS

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>period ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
Wages and salaries	–	91
Social security costs	–	10
Other pension costs	–	5
	–	106

The average monthly number of employees during the year was nil (2008 – 1)

NOTES TO THE FINANCIAL STATEMENTS
at 25 September 2009

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>year ended</i> <i>25 September</i> <i>2009</i>	<i>period ended</i> <i>26 September</i> <i>2008</i>
	<i>£000</i>	<i>£000</i>
a) The charge based on the results for the year is as follows		
<u>Taxation based on the profit for the year</u>		
Corporation tax payable at 28%	—	—
Total Current Tax Charge	—	—
<u>Deferred tax</u>		
Timing differences, origination and reversal	—	—
Total Deferred Tax	—	—

b) Circumstances affecting current charge

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 28% (2008 28.8%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below

	<i>year ended</i> <i>25 September</i> <i>2009</i>	<i>period ended</i> <i>26 September</i> <i>2008</i>
	<i>£000</i>	<i>£000</i>
Profit on Ordinary activities before tax	89	117
Tax on profit on ordinary activities at standard rate	25	34
Factors affecting charge		
Utilisation of losses brought forward	(90)	(31)
Other timing differences	65	(3)
Total Current Tax Charge	—	—

c) Deferred Tax

The company has taxable losses which are available to offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as, based on budgets, the company does not anticipate taxable profits to arise within the immediate future. It is anticipated that the losses will gradually be recovered as the business moves into profit. The estimated value of the deferred tax asset not recognised, measured at a future standard rate of 28% is £2,453,000.

NOTES TO THE FINANCIAL STATEMENTS
at 25 September 2009

7. DEBTORS

	25 September 2009 £000	26 September 2008 £000
Amount due from group undertaking	–	293
Royalty advances	133	69
Prepayments and accrued income	–	88
VAT Recoverable	–	38
	<u>133</u>	<u>488</u>

8. CREDITORS: amounts falling due within one year

	25 September 2009 £000	26 September 2008 £000
Amount due to group undertakings	101	–
Accruals	7	441
Deferred income	9,146	9,235
	<u>9,254</u>	<u>9,676</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Trading Provisions £000
At 27 September 2008	47
Released during the year	(22)
At 25 September 2009	<u>25</u>

Trading provisions comprise royalty audit provisions

NOTES TO THE FINANCIAL STATEMENTS
at 25 September 2009**10. SHARE CAPITAL**

	<i>25 September 2009</i>	<i>26 September 2008</i>
	<i>No</i>	<i>No</i>
Authorised 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
	<i>£</i>	<i>£</i>
Allotted, called up and fully paid 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 27 September 2008	—	(9,235)	(9,235)
Profit for the year	—	89	80
	<hr/>	<hr/>	<hr/>
At 25 September 2009	—	(9,146)	(9,155)
	<hr/>	<hr/>	<hr/>

12. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is 100% owned by Warner Music UK Limited, the immediate parent undertaking

On 25 September 2009 Warner Music Group Corp , a company incorporated in the United States of America, was the ultimate parent undertaking and 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